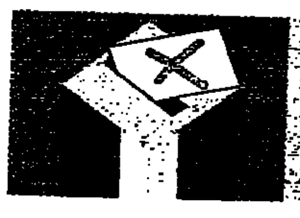
FINANCIAL TIMES



French elections
First broadsides of the campaign
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UK steel industry
Another reshape in the melting pot
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Abortion
Issue of conscience haunts US politics
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World Business Newspaper — WEDNESDAY FEBRUARY 15 1995 — D8523A

Buoyant chemical prices help lift BP 36% to £427m

Buoyant chemical prices boosted British Petroleum's fourth-quarter replacement cost profits to £427m ($662m), a 36 per cent rise on 1993 and the company's best quarterly performance since 1990. The results, which were at the top end of analysts' expectations, took full-year profits to £1.48bn, 32 per cent up on 1993's £1.12bn. Page 21; Lex, Page 14

France loses fight on broadcast quotas: France lost its battle to persuade its EU partners to support stricter quotas on the screening of Hollywood films and other foreign productions by European broadcasters. Page 14

Daimler-Benz, German car group, is likely to take a majority stake in Cap Gemini Sogeti, French software company, giving it control of Europe's largest information technology group. Page 15

UK opens way for electricity takeover: The UK government cleared the way for the first takeover of a privatised UK electricity company by announcing it would not refer Trafalgar House's hostile bid for Northern Electric to the Monopolies and Mergers Commission. Page 14 and Lex; Editorial Comment, Page 13

Jolt for French presidential campaign: France's presidential election campaign was jolted by an opinion poll putting Socialist contender Lionel Jospin level with conservative prime minister Edouard Balladur. Jospin would halt privatisations, Page 3; Every man for himself, Page 13

IG Metall ready for talks: German engineering industry employers called for deadlocked pay talks to resume after IG Metall union leaders left the way open for a peaceful solution. Page 2

Zedillo halts action against rebels: Mexican president Ernesto Zedillo halted military action against peasant guerrillas in the southern state of Chiapas and said he was willing to seek a negotiated settlement. Page 4

Washington unites on privatisation: The Clinton administration and the new Republican majority in Congress are joining hands to give new life to the theme of privatisation. Page 4

Brussels aims to drop border controls: Jacques Santer, European Commission president, is set to arouse opposition from the UK, Denmark, Ireland, Sweden and Finland when he calls for border controls inside the EU to be dropped. Page 9; Editorial Comment, Page 13

Japanese banking row: A senior member of the New Frontier party, Japan's leading opposition group, quit amid allegations over his relationship with two troubled credit associations. Page 6

EU to cut development aid: Aid from the EU to developing countries is set to be reduced as ministers meet in Brussels to review how much to pledge to the European Development Fund. Page 5

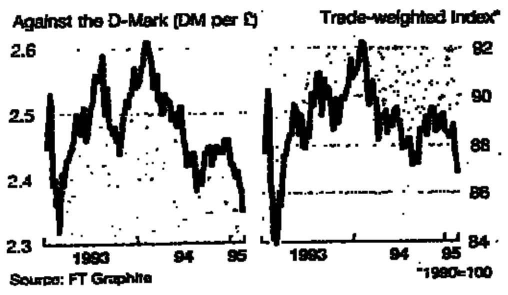
European car sales rise 3.7%: European new car sales increased year-on-year by 3.7 per cent in January. Page 5

S African court to rule on death penalty: South Africa's new Constitutional Court must decide on the future of the death penalty and of nearly 450 people who have been sentenced to die. Page 7

London Stock Exchange prices: We regret that some London share prices and related information, including the FT-SE Actuaries All-Share Index, could not be updated in time for this edition due to technical problems at Extel Financial.

Pound at two-year low against D-Mark: Sterling yesterday slipped to its lowest level for two years against the D-Mark as a mix of political and economic worries weighed on the currency. It finished in London at DM2.3563, from DM2.3741. The trade weighted index finished at 86.9, the lowest since August 1994. There was no indication of Bank of England intervention to support the pound. Currencies, Page 25

Sterling



Source: FT Graphite

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,952.53	(-1.68)
NASDAQ Composite	788.76	(-0.66)
Europe and Far East		
CAC40	1,850.31	(-19.09)
DAX	2,116.95	(-13.20)
FT-SE 100	3,071.3	(-9.8)
Nikkei	18,138.4	(-175.39)

■ US LUNCHTIME RATES

Federal Funds	6%
3-mth Treas Bills: Yld	5.947%
Long Bond	89½
Yield	7.633%

■ OTHER RATES

UK: 3-mo Interbank	6 27/32%	(6 13/32%)
UK: 10 yr Gilt	98½	(98 5/32)
France: 10 yr OAT	96.48	(96.28)
Germany: 10 yr Bund	99.46	(99.35)
Japan: 10 yr JGB	96.829	(96.709)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$16.775	(16.625)

■ GOLD

New York: Comex (Apr)	$378.2	(377.9)
London: close	$375.9	(374.6)

■ DOLLAR

New York: lunchtime		
£	1.5605	
DM	1.5104	
FFr	5.229	
SFr	1.2733	
Y	98.5	
London:		
£	1.5567	(1.5636)
DM	1.5137	(1.5184)
FFr	5.2473	(5.261)
SFr	1.279	(1.2818)
Y	98.68	(98.57)

■ STERLING

DM	2.3563	(2.3741)
Tokyo close:	Y 98.75	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira50	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Japanese loan scandal flares as reformer quits

By Gerard Baker in Tokyo

The government-backed rescue of two small Japanese financial institutions yesterday turned into a major political controversy with the resignation of a reformist politician whose party had pledged to fight corruption.

The resignation of Mr Toshio Yamaguchi, deputy secretary-general of the New Frontier party, is a setback for opposition groups attempting to overhaul the political system and put to an end the era of "money politics".

The affair is also a blow to Japanese banks, to the Bank of Japan, the central bank, and to Mr Harumori Takahashi, one of the country's most colourful developers, whose investments once included an Australian university and a floating luxury hotel moored on the Saigon River in Vietnam.

Mr Yamaguchi quit after newspapers reported that the Tokyo Kyowa and Anzen credit associations, the subject of criminal investigations, had both lent large sums of money to his relatives.

It was alleged yesterday that Y3.5bn ($35.5m) in loans were made to six companies managed by the relatives, and were used for the construction of half-completed golf courses and country clubs.

The two credit associations were rescued by the Bank of Japan last December and merged into a new institution, Tokyo Kyodo Bank.

The bail-out, which has provoked public opposition, came after the discovery of more than Y100bn in bad loans, most to the ambitious Mr Takahashi and his ailing property company, EIE International. Mr Takahashi was chairman of Tokyo Kyowa, and a senior executive of Anzen. He is reported to have been a close friend of Mr Yamaguchi, who said yesterday that he wanted to stand back from the loan controversy.

"I'd like to draw a clear distinction between my role as a party leader and the reference to my name in this case, so that from now on, my party colleagues can deal with this [the loan issue] impartially," Mr Yamaguchi said.

In a letter of resignation accepted by the party leadership, Mr Yamaguchi added that he had never had personal interests in those family companies alleged to have received the loans. He denied reports that he had asked Mr Takahashi to assist in arranging loans to those companies.

The banks are alleged to have misrepresented their accounts and conducted a range of illegal transactions.

Under Japanese banking law, financial institutions are not permitted to lend more than 20 per cent of their total capital to one customer. The sums involved in the loans to Mr Yamaguchi's relatives were considerably higher.

The controversy surrounding the rescue of the two institutions seems set to widen.

Large banks, including the Long-Term Credit Bank, also ran into trouble with their loans to Mr Takahashi.

In addition to his links with opposition politicians, Mr Takahashi is understood to be close to leading figures in the Liberal Democratic party, now part of a ruling coalition.

Japan loan scandal outcry grows louder, Page 6

Tale of two great cities and the leaders trying to restore their fortunes

New York to slash spending by $2.7bn

By Richard Tomkins in New York

Mr Rudolph Giuliani, the Republican mayor of New York, yesterday attempted to resolve its growing financial crisis by announcing the biggest package of cuts in benefits and services since the city's brush with bankruptcy in 1975.

In what critics swiftly dubbed the St Valentine's Day Massacre, Mr Giuliani outlined plans for slashing $2.7bn spending from the budget for the year starting this July, with the brunt of the cuts falling on welfare programmes for the poor.

New York's planned spending total in the fiscal year about to begin is $30.5bn, more than that of some small countries. By law, it has to balance its books: but in spite of earlier spending cuts and a reduction of more than 20,000 in the municipal workforce from the peak of 216,000 early last year, Mr Giuliani has found himself $2.7bn short of the sum needed to pay next year's bills.

Part of the reason is the recent downturn in revenues caused by poor profits on Wall Street and a stagnant property market. But Republicans say the city's real problem is that its long tradition of generosity towards the needy has left it with a far greater array of social services than the local economy can afford.

Politics apart, the city's financial problems are real. Last month, Standard & Poor's, the credit rating agency, threatened to downgrade the municipal government's debt from single A minus to triple B unless it set out a convincing financial plan by April.

A downgrading would increase the city's borrowing costs, making its financial difficulties worse.

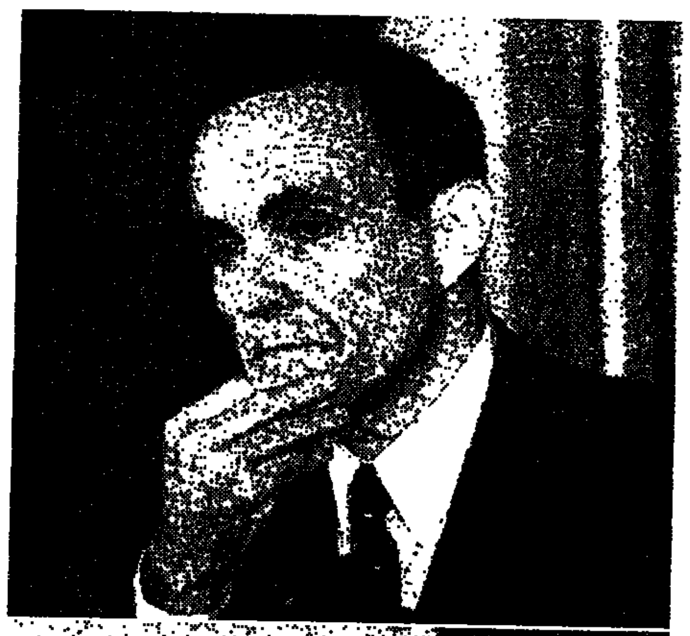
Yesterday's budget cuts were intended to demonstrate the city is putting its financial house in order but they will undoubtedly prove controversial. Some proposals will require able-bodied welfare recipients to do community work such as street cleaning, snow removal or park maintenance in return for their benefits. Mr Giuliani said this represented the largest application of such requirements in the US.

Other money-saving measures include a crackdown on welfare fraud through the purchase of a finger print recognition system. This will verify the identity and eligibility of applicants for welfare benefits and medical aid.

A total of $1.2bn of savings will come from cuts in Medicaid, which provides healthcare for the indigent, and from two programmes that provide financial assistance for the unemployed: Aid for Families with Dependent Children, and Home Relief.

The bulk of these savings, some $800m, stem from reductions in Medicaid entitlements already announced by Mr George

Continued on Page 14



Two mayors with daunting battles: Rudolph Giuliani (pictured at top) yesterday took radical steps to tackle New York's financial crisis unveiling plans to slash $2.7bn from the budget for the year starting this July. His Moscow counterpart Yuri Luzhkov (above) is fighting through his control over its real estate to keep Moscow Russia's most prosperous city

Moscow mayor fights to keep city at centre

By Chrystia Freeland in Moscow

Since 1917, when the Bolsheviks moved the seat of Russian government from St Petersburg back to the Kremlin, the medieval fortress of Russian tsars, Moscow has enjoyed a privileged place in Russian life.

In the Soviet era, trains from Moscow to the provinces were known as "the sausage routes", after the overflowing sacks of provisions inhabitants of less favoured cities would haul home from the well-stocked capital. Native Muscovites were coveted spouses because marriage to them brought the right to live in the Soviet Union's most important city.

The collapse of central planning has deprived Muscovite commissars of the ability to requisition the best produce from the rest of the country. But as the capitalist transformation of Russia moves haltingly forward, Moscow is fighting to remain Russia's most prosperous and most privileged city.

The man leading that fight is Mr Yuri Luzhkov, the rubicund 58-year-old mayor of the capital, who has a degree in chemistry and a penchant for swimming in icy waters. He is one of Russia's most influential politicians.

Mr Luzhkov derives the power to defy national laws from his control over all land in Moscow, which has become a city with some of the highest property prices in the world and one of the world's least transparent property markets.

The mayor's control over the capital city's coveted real estate has led to frequent, but never substantiated, allegations of corruption. It is, however, undisputed that Mr Luzhkov has used his control over Moscow property to cement close alliances with some of Russia's leading banks, including the Most banking group.

Mr Vladimir Gusinsky, head of the Most banking and media empire, acknowledges that Most, which still has offices in the city hall, owes its initial rise to a good relationship with Mr Luzhkov.

"Mr Luzhkov's political power is based on the financial groups that bought property in Moscow," says Mr Andrei Volgin, a Moscow broker. "I think we will now see quite a serious fight between the Moscow financial groups supporting Luzhkov and the oil and gas lobby which support Prime Minister Viktor Chernomyrdin."

For Moscow's 9m inhabitants,

Continued on Page 14
Identity crisis in Kaliningrad; Yeltsin aides 'try to buy support', Page 2

Buffett chases 10 per cent stake in American Express

By Tony Jackson in New York

Mr Warren Buffett, the US investor, has spent more than $600m since the start of the year buying shares in American Express, the financial services group.

This brings his holding, through his investment company Berkshire Hathaway, to 9.8 per cent. Application has been made for regulatory approval to take the stake over 10 per cent.

American Express welcomed the stake, saying: "Mr Buffett has advised us that the purchases are for investment purposes ... [He] is one of the market's most respected and successful long-term investors. We are delighted with the vote of confidence in American Express that the Berkshire Hathaway share purchases represent."

Mr Buffett has been involved with American Express over the years, having bought $300m of special preferred stock in the company in 1991. At the time American Express was wrestling with the problems of its broking business Lehman Brothers, since sold.

After a period of upheaval and falling earnings, the company, best known for its credit cards and travel agency, appears to be in a recovery phase. According to Mr Harvey Golub, chairman, earnings are set to rise by 12-15 per cent a year.

American Express shares, which had risen 10 per cent since the turn of the year, rose a further $1⅝ in early trading yesterday to $33½.

Mr Buffett, who has been described as the most successful US investor of the century, specialises in taking large long-term stakes in companies. A notable example was his 1989 investment in Coca-Cola, which has since outperformed the US market by 160 per cent, giving his holding a value of almost $5bn. Berkshire Hathaway's share price rose $450 yesterday to $22,950. This gives the company a market value of $27bn, compared to $16.6bn for American Express.

Despite Mr Buffett's high reputation, he has had some upsets. His involvement with the Wall Street broking house Salomon, where he holds almost 20 per cent of the voting stock, has had its share of problems.

The UK drinks company Guinness, which he started buying in early 1992 in his first big move overseas, has since underperformed the London market by 40 per cent.

It was separately announced yesterday that Berkshire Hathaway had an 8.3 per cent stake in the Pittsburgh banking group PNC Bank Corp, worth around $480m, and had marginally reduced its holding in the defence firm General Dynamics to 8.4 per cent.

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NEWS: EUROPE

IG Metall opens way to more talks

By Christopher Parkes in Frankfurt

German engineering industry employers yesterday called for deadlocked pay talks to resume after IG Metall union leaders left the way open for a peaceful solution for a further two days.

Mr Klaus Zwickel, union president, had earlier warned employers that it was "possible" to hold the necessary ballots and start official strikes before the end of the month.

He accused management of wasting every opportunity to reach a peaceful settlement and leaving the union no choice but to start industrial action. "You can take my word that we did not want the coming strike," he told a press conference.

But Mr Zwickel, who last week threatened that full-scale stoppages would be "unavoidable" unless industry gave a signal of its readiness to compromise by Monday this week, appeared to invite fresh approaches when he said the final decision on the timing of ballots and stoppages would be made at a special meeting of the union board tomorrow evening.

Although he stressed that IG Metall had never used the strike ballot as a tactic to tempt employers back to the negotiating table, he said compromise was always possible.

A settlement was reached last year after a strike ballot but before stoppages began, Mr Zwickel said, but this was one of only two such instances in the union's history. The leadership had agreed yesterday that the first three days of next week seemed a "suitable" time to hold a ballot. Strikes could start a few days later.

Meanwhile, regional branches prepared to demonstrate the membership's willingness to strike in a concerted wave of so-called "warning" walk-outs and marches today. Venues include the main square in Frankfurt, Germany's financial capital, where IG Metall's threats and extensive warning strikes in past weeks have so far failed to impress the markets.

Most economists and industry observers expect the union, which is demanding a 6 per cent pay award, to emerge eventually with 3-4 per cent, a level considered to have few inflationary consequences.

Engineering industry leaders responded to yesterday's events with a suggestion that the union should select one group of regional negotiators to represent the whole membership in "pilot" negotiations for the whole country.

Mr Hans-Joachim Gottschol, president of the Gesamtmetall employers' association, said a compromise could then be hammered out which included "a positive pay figure" for the workforce.

However, it would be too expensive to purchase a peace settlement with an agreement which damaged companies, choked the economic recovery and destroyed the unemployed's chances of finding work, he said.

Mr Zwickel, on the other hand, said a 6 per cent pay award would generate jobs by promoting private consumption and thus accelerating the export-led economic recovery.

The engineering industry negotiations – the outcome of which is expected to set the pattern of pay awards for other sectors – have stalled because employers have refused to discuss pay in isolation from complementary cost-saving proposals.

Public opinion polls give FDP a boost in Hesse election campaign

Germany's struggling Free Democrats (FDP), junior partners in the Bonn government, received a double boost yesterday with two opinion polls showing them surviving this weekend's state election in Hesse, Reuter reports from Bonn.

The Forsa institute gave them 8 per cent of the vote, three points clear of the minimum required. The Ipos institute, which last month put the party on 3.6 per cent, said it now looked set narrowly to clear the 5 per cent hurdle and retain its seats in the state assembly.

Both polls forecast that the existing coalition of Social Democrats and Greens would be re-elected on Sunday. Forsa gave the SPD 36 per cent and the Greens 14 per cent; Ipos put support at 41 per cent and 12 per cent respectively.

Chancellor Helmut Kohl's Christian Democrats (CDU) received 38 per cent in the Forsa poll and 40 per cent from Ipos. At the last poll in Hesse state, where Frankfurt is located, the SPD won 40.8 per cent, the CDU 40.2, the Greens 8.8 and the FDP 7.4.

Kaliningrad opens its fortress gates

The former Prussian region, long part of Russia, is trying to break free from decades of dominance by the military, writes Matthew Kaminski

Europe's changing cities

Russian troop convoys roll down old Prussian roads. Sturdy German houses and modern Polish stores contrast with a bleak Soviet cityscape. Tucked between Poland and Lithuania, Kaliningrad, the former Prussian port city of Königsberg, suffers an identity crisis. Russia's western enclave may be a military fortress or an emerging entrepôt trade centre. It can be either, but not both.

The progressive civilian authorities favour economic development. For three years, the governor, Mr Yuri Matochkin, has tried to promote his region's free economic zone with its customs and tax breaks. He has pointed to its strategic location and favourable wage differentials to nearby Poland and Germany. The old east Prussian region, closed for almost five decades, has made strides: 866 joint ventures have been set up with Rbs13.95bn invested.

The biggest is a telecommunications enterprise, a long-term strategic investment unlike standard consumer ventures, launched in autumn by France Telecom and the local provider after a two year struggle to get the necessary licences. On $7m start-up capital, Westbalt plans to link the forgotten region to the outside world and to serve business clients.

Mr Mark Wojciechowski, its French general manager who worked in Argentina, another transitional economy, before coming to Russia, shows off a $4.6m Alcatel switchboard, satellite station and data transmission network all housed next to the archaic local equipment. A 20-year-old waiting list will provide the local clients.

Smaller enterprises capitalise on cheap and well-educated labour to produce satellite launching equipment or do low-cost scientific research.

Professionell Effizent Zuverlässig (PEZ), a German computer company set up by a Königsberger evicted 50 years ago by the Red Army, sells hardware and software compatible with Russian equipment. After a DM60,000 (£25,000) initial investment, the venture turns over DM2.6m a year since, as Mr Aleksander Petrushenas, the general manager, says: "Everyone needs a computer in this economy."

More than 800 joint ventures have been set up but foreign capital remains nervous

The city centre, spacious and decrepit, evokes the narrow streets and wrought facades of old Königsberg. It looks better and cleaner than a year ago during the Russian parliamentary elections, when bitterness and an uneasy military atmosphere pervaded the streets.

A flashy new Moscow-based bank headquarters has risen across the vacant square from the monumental Dom Soviet, the unfinished party building started 20 years ago.

"It's a good idea to have an affiliate here and see what happens with the free economic zone," says Mr Yuri Matveev, vice-president of Investbank, which serves mostly German and Polish clients. But he adds: "There's virtually no investment."

Despite the local government's efforts, Kaliningrad's ambition to become an export processing or offshore banking centre like Mauritius remains years away.

Mr Yuri Bedenko, who chairs the region's free economic zone's development committee, blames Moscow. The five-year tax holiday and custom duty exemption for most goods produced in the region are not backed by law, only presidential decrees. The lack of guarantees frightens potential investors.

The regional administration's moves towards greater federalism are proving difficult. Moscow must approve any joint venture over Rbs100m. It also rejects plans to lower regional taxes and stalls on efforts to create an offshore banking centre for capital fleeing Russia. Representation in the upper house of parliament by Mr Vladimir Shumeiko, an influential deputy prime minister, has had little effect.

"Our government's run by idiots," proclaims Mr Aleksander Egorov, a bombastic businessman sporting a Coca-Cola tie, who represents Kaliningrad in Russia's council of free economic zones. "If I lived abroad, I wouldn't put a cent in Russia."

Mr Egorov wants Moscow to permit duty free shops to attract traders now going to Turkey and modernise the country's two ports to compete with the Baltic countries for Russian transit trade.

Unlike the Russian Far East regions angling for greater autonomy, however, Kaliningrad lacks natural riches. The industrial infrastructure was never rebuilt after the war. Fish, paper and cellulose industries have survived, but layoffs at machine building and train car factories pushed unemployment up to an unofficial rate of 30 per cent. Organised crime and a small domestic market are also a barrier.

Kaliningrad's main asset is the fact that it has Russia's only warm-water Baltic port. The shallow inland port plans to open a 11m tonne oil terminal this year, but the docks are hampered by poor land links and difficult border crossings. Cargo turnover dropped from 5m tonnes in 1992 to 3.5m tonnes last year. The deeper and more attractive military port at Baltisk awaits a commitment to conversion for commercial use.

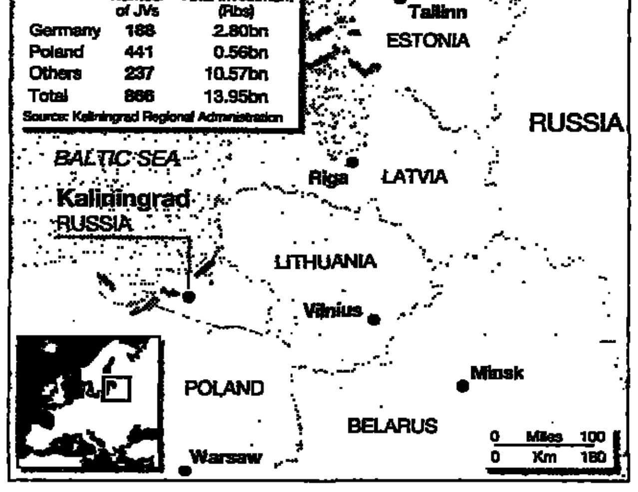
Indeed, the military is the main obstacle to change. Neighbouring countries worry about the presence of up to 200,000 soldiers in a region of 900,000. A simmering dispute with Lithuania over transport rights was resolved last month, but investors will not commit themselves unless Moscow changes its mind about withdrawing the military.

Until then, Kaliningrad remains risky. Its powder keg potential is underscored by revanchist sentiment among a generally progressive populace: Gen Aleksander Rutskoi marked the anniversary of the 1993 parliament battle here and banners at nationalist demonstrations read: "We'll never give back the Kuriles," alluding to Russia's other remaining war prize in the Pacific.

Mr Dmitry Akhiatiev, a manager at Moscow's Aktiv investment firm visiting Kaliningrad, believes the region's future lies in central investment from Moscow and a continued military presence to safeguard Russia's regional interests.

These sentiments worry Poland, Lithuania and the Nordic countries. But, despite unresolved disputes played out in far-away Moscow, Kaliningrad's residents are taking a new found pride in their Baltic Slavic land. In their proximity to the west lies greatest hope.

"The people who first came here had no roots," says Victor, a fisherman. "There was no reason for them to take care of these buildings or roads. But this is my city, and it is my children's city."



Kaliningrad joint ventures

	Number of JVs	Total investment (Rbs)
Germany	188	2.80bn
Poland	441	0.56bn
Others	237	10.57bn
Total	866	13.95bn

Source: Kaliningrad Regional Administration

Yeltsin aides 'try to buy support'

By Chrystia Freeland in Moscow

Liberal deputies in the Russian parliament this week accused President Boris Yeltsin's aides of offering them money and other perks in exchange for their political backing.

The deputies said that at a meeting last week at Desna, a holiday resort outside of Moscow, three liberal aides to the president sought to persuade a group of legislators to form a new parliamentary faction which would back Mr Yeltsin but oppose Mr Victor Chernomyrdin, the prime minister.

As an inducement to form a presidential faction, the deputies said they were offered financial support, apartments and jobs.

The untested allegations underscore both the intensity of the political battle currently under way in Moscow, as Russia gears up for presidential elections next year, and the sometimes shady manner in which that struggle is being waged.

At the centre of Russia's political maelstrom is President Yeltsin, who remains the most powerful leader in the country but whose long-term political future is looking increasingly shaky.

The immediate reason for that fragility is the rift which the Chechen war has provoked between the president and his long-suffering liberal backer, Russia's Choice, the party led by Mr Yegor Gaidar, his former prime minister.

The open split between Mr Yeltsin and Russia's Choice, which controls a faction in parliament and has a national political infrastructure, comes at a time when the president and his aides appear particularly wary of potential political rivals.

Over the past few months the presidential team has moved to thwart the potential ambitions of the two most powerful possible pretenders to the throne: Mr Chernomyrdin, who enjoys the backing of the oil and gas sector, and Mr Yuri Luzhkov, the mayor of Moscow.

One option for Mr Yeltsin would be to commit himself fully to the hardline individuals, connected to Russia's security forces, who have become increasingly prominent within his entourage. But that prospect does not suit the liberal faction within the president's team of aides, who have begun to search for an alternate powerbase for Mr Yeltsin.

This effort led to the Desna meeting, where three of the president's liberal advisers allegedly tried to persuade a group of some 20 parliamentarians from liberal and centrist factions to form a new pro-presidential bloc.

This week's accusation, from a group of legislators who attended the meeting, that the president's men effectively sought to buy their support, suggests that the effort may have backfired.

"Participants in this new venture were promised financial support in the next election and jobs and apartments in Moscow in case they lost the election," the group of MPs, who asked that their names not be reported, alleged in a formal statement.

The charges have further alienated many of Mr Yeltsin's most prominent former liberal backers.

"The authorities are looking for allies too late and in a dirty way," commented Mr Boris Fyodorov, a former minister of finance and now a member of parliament.

Russia tackles share registration chaos

By John Thornhill in Moscow

A group of Russian and foreign financial institutions is trying to bring greater order to Russia's chaotic stock market by creating an independent share registration service. Security of ownership has become one of the most pressing concerns for investors following a series of scandals in which shareholders' names have been erased from company-run registers.

Mr Dmitri Vasiliev, executive head of the Russian Commission on Securities and Stock Markets, which is charged with regulating the country's capital markets, welcomed the development as a first step in raising standards.

"It is evident that the Russian stock market is experiencing an uneasy time at the moment. One of the causes of this crisis is that there is not more infrastructure in the Russian market," Mr Vasiliev said. "There is no real share registration, little security of ownership and a lack of information. This year we must do the maximum possible to create order in the markets."

Russia's nascent stock market, which blossomed last year following the country's mass privatisation programme, has been hard hit by the Chechen war, the backwash of the Mexican financial crisis, the uncertain political and economic climate and some well-publicised financial scandals.

But the fostering of effective capital markets remains central to government efforts to wean industry off inflationary state credits and create the basis for a developed free market economy. Other projects are being undertaken to develop stock market trading, clearing and settlement systems.

The absence of even a rudimentary stock market infrastructure has deterred mainstream foreign fund managers from investing in Russia and tarnished the stock market's reputation among domestic investors.

The share registration service will be run by an independent company created by two Russian financial institutions, Oneximbank and Nikoil, and the Bank of New York, which has widespread international expertise in this field. Mr Mitchell Kessler, the bank's senior vice-president, said the system should be up and running by April, and fully operational later this year.

Lukoil, one of Russia's largest oil companies which is seeking to sell 15 per cent of its equity on international markets, will become one of the first companies to use the service.

Mr Boris Jordan, co-head of the Moscow office of CS First Boston, the most active western stockbroker in Russia, said: "There are several registration systems around but I think this one will have the most credibility. It is an effective partnership between the regulator, Russian corporations and western financial institutions."

The project has been part financed by the European Bank for Reconstruction and Development.

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Bank's justification for financing questioned by independent report

EBRD criticised on N-plant loan

By Jane Martinson

The economic justification for the controversial financing by the European Bank for Reconstruction and Development of a nuclear plant in Slovakia was said yesterday to be full of "omissions, inconsistencies and methodological deficiencies".

A report by Oko-Institut, a German ecological organisation, argues that documents published by the bank to justify the DM1.3bn ($840m) loan wrongly suppose the nuclear plant to be the cheapest way of supplying Slovakia's energy needs. The money would fund completion of two partially built 440MW Soviet-designed pressurised water reactors at Mochovce, about 120km east of Bratislava, the capital.

The report will add new heat to an already tense debate over the EBRD's proposed involvement with Mochovce. Austria has threatened to terminate its membership if the bank goes ahead.

Mochovce must be the "least cost option" in order to satisfy the EBRD's own conditions for the loan. The bank's analysis, prepared by UK consultants Puttnam, Hayes and Bartlett (PHB), says Mochovce will cost DM682m less than its nearest competitor, a combined-cycle gas turbine plant.

The Oko-Institut report, commissioned by Greenpeace, says several inaccurate forecasts in the bank's study work to the advantage of Mochovce. These include gas prices which are too high, a different exchange rate for construction costs and fuel prices, and over-optimistic discounting rates for decommissioning.

Mr Antony Froggart, a Greenpeace nuclear campaigner, said yesterday: "Our study shows that the completion of Mochovce is not the best economic option for Slovakia and that the basis for continuing to support the project is erroneous. Therefore, the EBRD has an obligation to follow its own procedures and pull out of the project."

Greenpeace concludes that the nuclear plant is likely to cost DM499m more than the gas alternative over the lifetime of the plant.

The Oko-Institut report points out that gas prices forecast by the EBRD study are higher than those recommended by the World Bank and the European Investment Bank, which is advising the European Commission on its involvement in Mochovce.

Mr David Nelson, a PHB associate and main author of the EBRD's cost analysis, supports the figures used in his report as "ones which we consider the best and the least motivated by political pressure". He says the gas price forecasts used are "lower than some and higher than others".

He accepts however that the argument is a close one. "The numbers we are talking about are small. I don't know if I would make this decision based on economics, despite being an economist... In terms of the economic argument Mochovce is certainly not a clear winner but nor is it a clear loser."

EUROPEAN NEWS DIGEST

Chechen truce fails to hold

Less than 24 hours after Russian officials announced a partial ceasefire in the fighting in the breakaway republic of Chechnya, the accord was broken by exchanges of rocket and shell fire between Russian and Chechen forces. The exchanges – which fit into a consistent pattern of Russian military commanders defying Mr Boris Yeltsin's calls to stop the fighting – jeopardise the president's effort to staunch domestic and international criticism of the military intervention in Chechnya by declaring that the war is over and the situation is proceeding "normally". The threat that the Chechen conflict poses to Mr Yeltsin's relations with western leaders – whose support is crucial if Russia is to receive funding from the International Monetary Fund – was underscored by a telephone conversation on Monday evening between Mr Yeltsin and Mr Bill Clinton, the US president. Mr Clinton, who has been among the staunchest of Russia's western allies, warned the Russian president of "the importance of an end to the bloodshed". Last week, Mr Clinton said that he and German Chancellor Helmut Kohl, who prides himself on a close personal relationship with Mr Yeltsin, "have both made clear our fears about the corrosive effect the conflict in Chechnya can have on democratic market-oriented reforms". *Chrystia Freeland, Moscow*

UN promised access to Bihac

Croatian Serbs have authorised a United Nations convoy of 20 trucks to pass through their territory into the beleaguered Bosnian Moslem enclave of Bihac, a spokesman for the UNHCR refugee agency said yesterday. Earlier Mr Graham Day, a UN official, dismissed the international relief effort as "gutless" for failing to deliver emergency relief to Bihac in north-western Bosnia. Mr Ron Redmond, spokesman for the UNHCR, had also said: "We don't know of anyone who has starved to death yet but it's certainly possible in the very near future if this [Serb blockade] continues." Bosnian President Alija Izetbegovic wrote to the UN on Monday warning his army would renounce the ceasefire and attack the Serbs elsewhere in the country unless the Bihac situation was stabilised. Envoys of the five-power Contact Group yesterday considered a new initiative to persuade the warring leaders of former Yugoslavia to agree a peace settlement. The four-part proposal, put forward by France as the "last-chance plan", calls for Serbia to recognise Bosnia and Croatia in exchange for the suspension of UN sanctions on Belgrade. *Laura Silber, Belgrade and Agencies*

German coal issue unresolved

Germany's governing coalition yesterday again failed to reach agreement on ways to finance the country's uncompetitive coal industry, and instead postponed any further discussion until after next Sunday's state elections in Hesse. However, they did agree to restart, in early March, the cross-party "energy consensus" negotiations aimed at working out a long-term strategy for the country's nuclear, coal and gas industry. The main sticking point in yesterday's talks, which lasted only two hours, was whether to finance German coal production until the end of the century by an across-the-board energy tax, or from the budget. Currently, domestic coal is subsidised by the *Kohlepfennig*, an 8.5 per cent levy imposed on industrial and domestic electricity consumers. The *Kohlepfennig* has to be phased out by the end of this year following a decision by the constitutional court that the levy is unconstitutional. *Judy Dempsey, Bonn*

Waigel pledge on funds to east

Mr Theo Waigel, the German finance minister, said yesterday he would tighten controls on the flow of public funds to eastern Germany following reports that about DM65bn ($42.40bn) – about 10 per cent of total net transfers – had gone astray. Mr Waigel said east German ministers should suggest measures whereby money could be better controlled. But the minister would not comment on the figure of DM65bn mentioned by the weekly news magazine, Spiegel. "Whether it is a question of millions or billions, the eastern states must stop all abuses and reports of state auditors must be carefully examined," he said. *Michael Lindemann, Bonn*

Mercedes bus takeover cleared

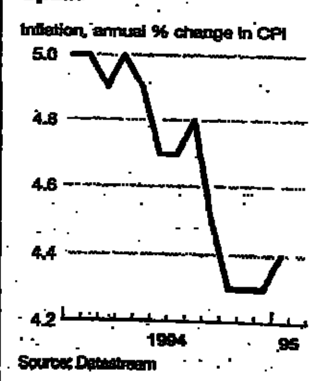
The European Commission yesterday cleared Mercedes-Benz's takeover of the troubled Karl Kaessbohrer bus group, despite fears that it would give Mercedes a dominant position in the German market. The Commission accepted without discussion an earlier recommendation of its advisory committee of national experts in favour of the merger, which gives Mercedes 57 per cent of the bus and touring coach market in Germany. An important factor in favour of the takeover was that the German public bus contracts are open to foreign bidding, thus allowing greater competition in tendering. Mercedes and Kaessbohrer will hold around 28 per cent of the EU market. *Lionel Barber, Brussels*

Move to end Alitalia dispute

Italian ministers hope to end the damaging industrial dispute at Alitalia, the state airline, by bringing together for the first time management and all staff unions. Two days of disruption by ground staff and pilots against Alitalia's drastic restructuring plans ended at midnight last night. Mr Tiziano Treu, labour minister, and Mr Giovanni Caravale, transport minister, believe part of the problem in the Alitalia dispute is the confusion of different national and independent unions involved. Mr Treu has said he is prepared to act as mediator at a round-table discussion, if required, but no date has been set for talks. The strike planned for today by air traffic controllers' unions has been suspended following talks between unions and Mr Caravale. The controllers are protesting about the uncertain future of Anav, the air traffic control authority, which is under the management of a government appointed commissioner until the end of the month. *Andrew Hill, Milan*

ECONOMIC WATCH

Spanish consumer prices up 1%



A 1 per cent spurt in Spanish consumer prices in January was greeted as "good" by the government, since it was well below expectations. Most analysts had forecast a jump of at least 1.5 per cent. Fears of a surge in inflation following an increase in value added tax rates prompted the newly independent Bank of Spain to raise its benchmark interest rate from 7.35 per cent to 8 per cent last month, the first upward move for two years. The economy ministry yesterday pointed out that the January price rise was no more than in the same month last year. Over 12 months, the rate was 4.4 per cent against 4.3 per cent in December. But analysts were still sceptical about prospects for achieving the official target of 3.5 per cent by the end of the year, and expected water shortages to push food prices up further. They also voiced concern about a 5.3 per cent annual increase in factory gate prices last year, the highest since the mid-1980s. *David White, Madrid*

■ Greece's unemployment rate rose to 218,490 or 8.3 per cent year-on-year in January, compared with 204,897 or 8.2 per cent in the same month of 1994.

■ Dutch non-seasonally adjusted unemployment rose to an average of 492,000 in November-January or 7.6 per cent of the workforce, up from 480,000 in the October-December period or 7.4 per cent of the workforce.

Jospin would halt privatisations

By John Ridding in Paris

Mr Lionel Jospin, the Socialist candidate in the French presidential elections, said yesterday that if elected he would halt the country's privatisation programme, the centrepiece of the conservative government's industrial policy.

Speaking in a radio interview, however, Mr Jospin indicated that he would not seek to renationalise the banks, insurance companies and industrial groups which have been privatised since the centre-right government of Mr Edouard Balladur took office in March 1993.

"I think it is scandalous that the privatisation programme is continuing," he said, referring to the list of 21 public sector groups already sold or earmarked for sale by the government. "I am for stopping the programme, but not for renationalisation."

Front-runner: Prime Minister Balladur campaigns in the southern town of Montelimar yesterday AP

The Socialist candidate for the April-May elections suggested, however, that the ownership of the country's large water distribution companies, Lyonnaise des Eaux and Générale des Eaux, should be examined. Last year a series of corruption investigations into utilities and public works companies prompted several politicians to propose nationalisation to avoid political funding scandals.

Mr Jospin's stance towards privatisation resembles the "Ni-Ni" (Neither, Nor) policy of the previous Socialist government, which held office between 1988 and 1993. Under this policy, laid down by President François Mitterrand and his prime minister, Mr Michel Rocard, companies already privatised would remain in the private sector but further departures from public ownership were ruled out.

Mr Edmund Alphandéry, the French economics minister, and one of the principal architects of the privatisation drive, attacked Mr Jospin's stance, which he described as "old-fashioned socialism". "Mr Jospin appears not to have understood the movie at all," he said, adding that in all countries, including those governed by Socialists, privatisation was being implemented.

Analysts played down the impact of Mr Jospin's comments on financial markets. "I don't think the markets will be very worried," said Mr Jean-François Mercier, economist at Salomon Bros. He cited the fact that Mr Jospin trails far behind Mr Balladur in the polls and that Socialists have tended to adopt a pragmatic stance once in power.

Other observers questioned the popularity of the stance. The privatisations conducted so far – including the sale of Elf Aquitaine, the oil group, and Rhône Poulenc, the chemicals and pharmaceuticals concern – have drawn an average of more than 2m investors. Although the slump in share prices has limited enthusiasm for recent issues, such as Renault, unions have failed to win support for their opposition to the sales.

Revamp of Libération newspaper fails

By John Ridding

A few months after a radical redesign at Libération, the left-leaning French daily newspaper, the air of expectancy has turned sour.

The newspaper said yesterday that it was launching a rigorous cost-cutting plan and reversing key elements of its re-design, including a doubling in the number of pages. On Monday Mr Jean-Louis Péninou, the managing director and one of the architects of the new-look Libération, announced his resignation.

The implications extend beyond the newspaper's modernist headquarters. Other mainstays of the French newspaper industry, such as Le Monde, have also launched new designs aimed at turning the tide of declining revenues and advertising receipts. Analysts say it is too early to gauge the effects of Le Monde's January relaunch. But the failure of Libération to free itself from the problems of the newspaper industry demonstrates the struggle faced by the French press in reversing a trend of declining sales and revenues.

The problems at Libération reflect disenchantment with the redesign, which was aimed at curbing losses of FFr70m ($13.2m) last year and reviving stagnant sales of about 170,000 copies a day. "The new formula has not been very well received by the traditional readership," said Mr Serge July, the editor, in a letter to staff. Media analysts said there was no single reason for the disappointing reception, but blamed competition for readers and said the new layout was sometimes confusing.

Libération has also suffered from more general problems facing the French press, in particular a shortage of capital and higher costs, partly reflecting an increase in paper prices. The newspaper says that its circulation has grown from last year and has made significant progress outside Paris. But the increase is inadequate to stem losses, recoup a decline in sales since 1993 and draw new capital. "We were losing about FFr2m per month with the old formula, now we are losing between five and seven times that amount," said a company official.

In response, Libération is tightening its belt. About 90 jobs are to go, including about 70 part-time or temporary positions. At the same time the newspaper will scale back the ambitions of its re-design. Instead of the 70 or 80 pages to which readers have become accustomed since last September, it will now weigh in at about 60 pages. The newspaper is planning to raise its price from FFr6 ($1.10) to FFr7 from April.

Italian party logos: how the symbols clash

Italian party line-up is heavy on image

Andrew Hill in Milan reports on a new burst of symbolism among politicians

Professor Romano Prodi has just added another shrub to Italy's overgrown political horticulture. The olive tree will be the symbol for the broad centre-left coalition forming up behind the Bologna economist, ready for the next election campaign.

The olive, explained Prof Prodi this week, is a plant with "strong roots, resistant to bad weather. It's tough ... but also soft and beautiful, the symbol of Italy and hard work."

It is also, according to legend, a tree which grows best next to the oak, which happens to be the symbol of Italy's Democratic Party of the Left (PDS), the former communists whose support Prof Prodi needs if his quest for political power is to succeed. It is a symbol of peace, but also features in Christian imagery, which could prove useful in wooing the former Christian Democrats, to whom he has always been close. A safe but unexciting choice was the verdict of image consultants.

Choosing a party logo is difficult, but vital in a country crowded with parties. Fourteen parties competed in last March's elections, bearing a bouquet of horticultural images: they included the "lucky" four-leaved clover of the centrist Democratic Alliance (it was notably unlucky for the party, which reaped few votes) to the rose of the Socialists, unsuccessfully trying to revive an image which wilted under the leadership of Mr Bettino Craxi.

Italian political symbols are also a miniaturised guide to the parties' complex recent history of name and policy changes, and a rallying point for traditional supporters.

For example, the oak dominates the PDS logo, but at its foot sits a tiny hammer-and-sickle flag. The neo-fascist MSI may have been absorbed into the National Alliance at a congress last month, but the party's identity is still founded on the MSI's logo, a shrunken tricolour flame. The Northern League changed its name at the weekend to Northern League-Federal Italy to garner more support nationally. But it is sure to stick with the image of a Lombard knight with raised sword, which should come as a relief to those League faithful who enjoy dressing up in chain mail and clanking off to party rallies.

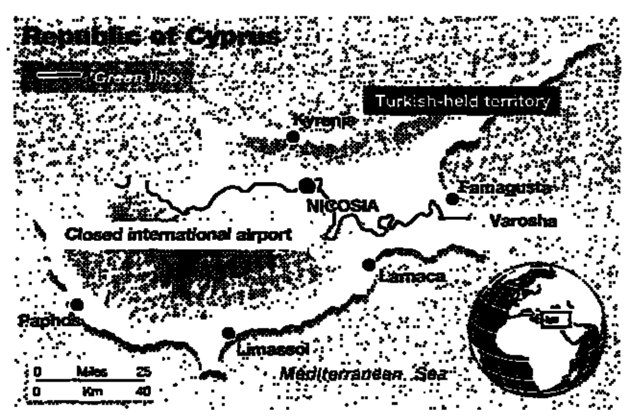
The great image-maker of Italy's Second Republic is Mr Silvio Berlusconi, who outdid everybody last year when he called his political party Forza Italia (Go Italy!). His inspired choice of a simple but arresting corporate image helped win the election and brought him the accolade "International Marketing Superstar" from a US trade magazine.

Prof Prodi is not in the running for this title. The vehicle for his centre-left movement is the ploddingly named *Comitato Per L'Italia Che Vogliamo* (Committee for the Italy We Want).

That said, as Mr Berlusconi has discovered, there is a little more to Italian politics than image and he will face a tough fight in the election if Prof Prodi gains support. The ex-prime minister's main weapon may be his campaign experience and, in this respect, Prof Prodi is more like the best known product of his olive tree symbol: pure and extra-virgin.

UN keeps the peace – but also the divide

By John Barham in Nicosia



There is probably no better monument to the 31 years of the United Nations in Cyprus than the 180km buffer zone dividing Greek-Cypriots from Turkish-Cypriots.

In the countryside it is little more than a rusty barbed wire fence or a farm track. In the capital Nicosia, the world's only divided city, it is a fearsome complex of earthworks, trenches and watchtowers manned by troops 24 hours a day.

The UN delineated the zone to separate the two communities and their opposing forces following the August 1974 Turkish invasion of Cyprus. The buffer zone, sometimes as wide as 7km or as narrow as a few metres, is like a time capsule.

It contains Nicosia International Airport, with its decaying terminals, and the seaside resort of Varosha, a ghost town since its mainly Greek-Cypriot population of 30,000 fled in 1974. In the suburbs of Nicosia graceful villas stand empty, their gardens overrun by wild vegetation.

Depending on one's viewpoint, the UN's meticulous policing of the buffer zone is a rare example of successful peacekeeping. It has prevented a resumption of civil war that began in 1963. The last serious clash took place two years ago when Turkish forces shot dead a Greek-Cypriot soldier.

However, an increasingly fashionable opinion is that the UN-sanctioned partitioning of Cyprus has further widened the gulf between the two communities. The post-1974 generation of Greek- and Turkish-Cypriots know little about each other, making a lasting solution all the more elusive. Even UN officials agree in private that the division line has become a barrier to progress.

Cyprus is again featuring on the international agenda. The European Union is negotiating a settlement plan in which Greece would lift its veto over customs union between the EU and Turkey. In exchange, Brussels would set a date for beginning talks over EU membership for Cyprus. As part of the deal, Turkey would encourage the Turkish-Cypriots to accept a formula allowing the island's reunification.

Yet there is no sign of relaxation in the buffer zone. If anything, UN officials say, tension is rising. One UN peacekeeping officer said: "Both sides are rearming at quite an alarming rate, probably to get a better negotiating position."

Cyprus is already one of the most militarised places on earth. About 43,000 Turkish and Greek troops are stationed on the island, backed up by billions of dollars-worth of armour, aircraft and artillery.

UN officials fear conflict could easily break out again. The UN officer says his main job is to prevent minor incidents, like exchanges of insults between soldiers, from escalating into exchanges of fire and troop movements.

The UN has accepted a role closer to the theatre of the absurd than peacekeeping to maintain this uneasy status quo. Each morning UN soldiers must count every single sandbag and gun emplacement along the Green Line. Reinforcement is forbidden. The UN officer said: "If one single sandbag has been added or an extra brick placed on a wall I have to go out and negotiate with the offending side to remove it."

The zone's boundaries have never been precisely demarcated. The Greeks refuse to negotiate with the Turkish-Cypriots' "illegitimate" government and consider the Turkish army an invasion force. The Turks treat the zone as an international frontier. As a result, apparently trivial disputes over territory could lead to fighting.

Even the UN becomes involved in these squabbles. Outside Nicosia stands Maria's House, a former brothel. Today it is surrounded by a fence, with a Turkish flagpole planted beside it. The UN says Maria's House is part of the buffer zone. The Turks claim Maria's House is theirs.

The UN and the Turkish army reached a compromise after arduous negotiations. The Turks agreed to withdraw, but only after fencing off the environs of Maria's House to the UN and winning permission to enter the fenced-off area twice a year to replace their flag.

Undaunted, the UN has drawn up a package of confidence-building measures allowing some movement between the two sides. Varosha would become a free trade zone. Nicosia airport would be reopened for use by both sides. These measures would alleviate an international trade embargo on the Turkish north Cyprus.

Frustratingly, there has been very little progress on implementing these measures. There is no such thing as a unilateral concession on Cyprus. Every action must have its corresponding *quid pro quo*.

Sell-offs gain support in Washington

By George Graham in Washington

Budget hawks and government efficiency advocates are joining hands to give new life to the theme of privatisation in Washington.

Both the Clinton administration and the new Republican majority in Congress are showing greater enthusiasm for privatisation, as the interests of those who want to find ways of cutting the federal budget converge with those who want to "reinvent government" to make it function more effectively.

The new mood has brought a variety of government activities, ranging from air traffic control to electricity generation, into the spotlight as possible candidates for spinning off into the private sector, or at least into some form of corporate status in which they could finance themselves by charging fees to the groups that use their services.

Mr Federico Peña, transportation secretary, went to Capitol Hill yesterday to argue the case for converting the US air traffic control system into a government corporation, which could tap the capital markets to finance the long-delayed modernisation of its systems.

"Our proposal would establish a wholly owned, not-for-profit government corporation, freed from the federal budget, personnel and procurement systems. It would be financed by users and have the ability to finance capital programmes, as would any corporation," Mr Peña told a congressional transportation committee.

Financing the air traffic control system by charging user fees to airlines would, according to some congressional estimates, save around $1.5bn a year from government spending.

User fees are gaining prominence as an idea for financing other regulatory agencies. The budget presented last week by President Bill Clinton contains proposals for charging a 10 cent fee on futures and options transactions to finance the Commodity Futures Trading Commission, as well as an overhaul of the Securities and Exchange Commission's fee structure which would leave it largely self-financed.

But one of the toughest fights in Congress may come over plans to sell off four government electrical power administrations, which privatisation advocates have long targeted as being glaringly out of place in the government sector.

The Clinton budget proposes the sale of the Alaska, South-eastern, South-western and Western power marketing administrations over the next three years to raise a net total of $3.7bn. But the administrations, which provide cheap electricity to consumers in their regions, are hugely popular with the voters. In the western states, in particular, any attempt to tamper with the power administrations quickly becomes a campaign issue.

Zedillo offers olive branch to Zapatistas

By Leslie Crawford in Mexico City

President Ernesto Zedillo of Mexico yesterday ordered a halt to the military offensive against peasant guerrillas in Chiapas, saying he was still willing to seek a peaceful negotiated settlement to the year-long uprising in the impoverished southern state.

The president's olive branch to the Zapatista National Liberation Army follows a six-day military offensive in which the Mexican army recaptured most of the towns held by the Zapatista rebels during their 13-month insurgency.

The Zapatistas have retreated deep into the Lacandon jungle near the Guatemalan border, from where they have pledged to continue fighting.

Mr Zedillo said his government was still open to finding a peaceful resolution to the conflict. He offered an amnesty to Zapatistas who renounced armed struggle and promised greater resources to bring "housing, drinking water, roads and electricity" to the state's indigenous communities.

"The Mexican army will not undertake any offensive action; it will only conduct patrols to prevent acts of violence," he said.

The prospect of a protracted guerrilla war had begun to worry the president, who ordered the military operation in Chiapas and the arrest of the Zapatista leadership following the discovery of arms caches in Mexico City and the state of Vera Cruz.

Government officials say the purpose of the military operation was to re-establish the government's presence in territory "liberated" by the Zapatistas, in order to strengthen Mr Zedillo's hand in negotiations to end the conflict.

They admit that the chances of capturing Subcomandante Marcos, the guerrilla's charismatic military leader, are slim.

In a further move to appease the Zapatistas, the controversial governor of Chiapas requested indefinite leave of absence from his post yesterday – tantamount to an offer of resignation.

Mr Eduardo Robledo Rincon, a member of the ruling Institutional Revolutionary party (PRI), had taken office only 68 days ago following elections which the opposition claims were marred by fraud. Both the Zapatistas and the left-wing Revolutionary Democratic party (PRD) had demanded his resignation.

Abortion issue no safe bet for US right

Jurek Martin reports on a political two-edged sword

At least seven out of 10 Americans, according to opinion polls, subscribe to President Bill Clinton's belief that abortion should be "safe, legal and rare". But 22 years after the Supreme Court asserted a woman's constitutional right to reproductive choice, no subject returns to haunt US politics with such force and frequency.

Mr Clinton himself has been feeling the heat over his nomination as US surgeon-general of Dr Henry Foster, a gynaecologist from Nashville with a widely admired record of public service, but who has, in a long career, performed a number of abortions.

The Republican party too was reminded over the weekend that opposition to abortion remains a litmus test of political acceptability for many conservative activists. Mr Ralph Reed, head of the Christian Coalition, warned prospective presidential candidates that they had better subscribe to "the sanctity of innocent human life" or expect vehement opposition.

There is little doubt that Mr Clinton's problems over the Foster nomination were self-inflicted by his staff who failed to anticipate that questions were certain to be asked over the number of abortions Dr Foster had performed. The succession of answers – first one, then about a dozen, in the end 39 – found the nomination entangled in a bizarre and defensive numbers game.

Conventional Washington wisdom has it that Mr Clinton needs this embarrassment like a hole in the head, especially after his approval ratings had started to rise again.

However, the counter-attack, first launched by a handful of Democratic congresswomen and quickly picked up by Mr Mike McCurry, the confident new White House press secretary, may yet shift the ground under public opinion, even if it does not save the nomination. For the new line is that Dr Foster is the victim of unreasonable attack by the right-wing "extremists" now running the Republican party.

Whether by accident or design, Mr Reed's remarks to the Conservative Political Action Conference in Washington have proved useful ammunition to the administration, some of whose members have been itching for a winnable fight against the right since the mid-term elections last November.

Mr Reed's message also came as something of a surprise. Until recently he had said his movement's fundamental goals – which include a constitutional amendment to ban abortion – could be temporarily subordinated to support for the secular Republican Contract with America and to the election of a Republican president next year.

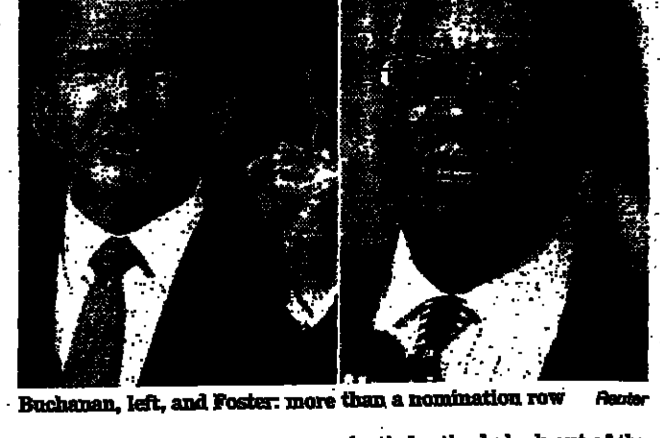
But over the weekend he seemed more intent on telling pro-choice Republicans they were not welcome on board the party's 1996 campaign bus. His clear targets included three governors who could well adorn the ticket next year – Pete Wilson of California, Christine Todd Whitman of New Jersey and Bill Weld of Massachusetts. They have all said the party platform next year should not be saddled with strong pro-life language, as it was, to no good effect, in 1992.

Senator Robert Dole, the majority leader and probable current front runner for the nomination, opposes abortion, but not to the point of making it illegal. He frequently speaks of broadening the base of the party, not narrowing it by the adoption of exclusive or confrontational policies.

But he finished a distant second in an informal straw poll of delegates to the conservative conference. Far in front of him was Senator Phil Gramm of Texas, with 40 per cent, while Mr Dole, at just over 12 per cent, was only fractionally ahead of Mr Pat Buchanan.

Former vice president Dan Quayle would doubtless have scored well had he not pulled out of the race a few days before. Indeed the bluntness of Mr Reed's warnings to remaining prospective candidates may well reflect disappointment at the disappearance of a man as popular with the religious right as Mr Quayle.

Mr Gramm, otherwise a dogmatic conservative, has also said that Republicans would be better advised not to dwell on abortion in the approaching campaign. But a truer indication of his allegiance was gleaned in a Washington Post report that the Republican Senate campaign committee which he chaired gave $175,000 to the national right-to-life movement just before the elections last November.



Buchanan, left, and Foster: more than a nomination row *Reuter*

At least Mr Buchanan, whose "cultural wars" speech to the Republican convention in 1992 was so divisive and who could run again as a Republican or as an independent next year, never equivocates. He told the conference: "Anyone who tries to rip that [anti-abortion] plank out of the platform will have to answer to Pat Buchanan."

Amid all the super-heated rhetoric, the fact remains that abortion normally disappears from the charts as a single issue determining the votes of many people in presidential elections. But it can be a much bigger factor in determining who gets to run for president – and who gets appointed to government. Dr Foster may never be surgeon-general, but his opponents might find their victory short-lived.

Election blow for Quebec secession

By Robert Gibbens in Montreal and Bernard Simon in Toronto

Canada's ruling Liberal party has won a vital Quebec by-election, pointing to an uphill struggle for secessionist forces ahead of the province's planned referendum on independence.

The Liberal candidate, Mr Denis Paradis, defeated his pro-sovereignty Bloc Québécois rival in rural Brome-Missisquoi, south-east of Montreal, by a comfortable 2,500-vote margin.

The result reinforces opinion polls which indicate that most Quebeckers want to remain part of Canada. The Bloc sought to play down its sovereignty agenda in the byelection, but the Liberals tried to turn the poll into a mini-referendum on independence.

Despite its defeat, the Bloc remains the official opposition in the House of Commons in Ottawa. But with 52 MPs, it is now only one seat ahead of the right-of-centre Reform party, based in western Canada. Mr Jean Chrétien, Canada's Liberal prime minister, said that the Brome victory indicates "the federalist forces are poised to win the coming Quebec referendum on sovereignty. The Quebec people will say no to separation".

In two other Quebec by-elections, also held on Monday, the Liberals retained seats which they have held for many years.

Mr Jacques Parizeau, Quebec's separatist premier, has promised a sovereignty referendum early this summer or in September. Eighteen government-appointed commissions are currently roving the province in a bid to drum up support for a split from Canada. But the commissions, which will continue work until early March, have so far had mixed results.

They have captured wide media attention, especially in rural Quebec where support for sovereignty is strongest. But the message coming from the hearings has been diffuse, with many witnesses preferring to talk about local or special-interest issues, rather than independence.

AMERICAN NEWS DIGEST

US employers' health costs fall

US employers' healthcare costs fell last year, indicating that greater use of cost-efficient "managed care" schemes is bringing inflation in the medical sector under control. Average health costs for companies with 10 or more workers fell 1.1 per cent to $3,741 per employee, a survey by Foster Higgins, a New York consultancy, found. This followed an 8 per cent increase in 1993 and double-digit increases in previous years. Costs fell because the proportion of employers using health maintenance organisations (HMOs) and other, looser forms of managed care rose sharply last year to 63 per cent from 52 per cent in 1993. Managed care differs from the traditional "fee for service" insurance schemes because the managing agents supervise the decisions of doctors and hospitals contracted with them, allowing them to control costs while maintaining quality. HMOs charge a fixed annual fee per enrollee, limit patients to scheme doctors and stress primary and preventive care. Companies with more than 500 employees reduced health costs by 1.9 per cent last year. But smaller companies, which tend to make less use of managed care, saw costs rise 6.5 per cent. *Michael Prowse, Washington*

Retail sales edge up in US

US retail sales rose 0.2 per cent in January, the Commerce Department reported yesterday, while December's increase was revised upwards to 0.2 per cent from minus 0.1. Last month's rise was slightly lower than Wall Street economists had predicted, suggesting that the Federal Reserve's year-long monetary tightening had begun to bear fruit, economists said. "This ought to be comforting to the Fed because we're not seeing consumer spending accelerate once again," said Mr Dan Seto, an economist at Nikko Securities. "It's an improvement but it's not like consumers are rushing back to the stores." Weak sales in apparel and eating and drinking were offset by stronger-than-expected sales of petrol, general merchandise and foods. *Reuter, Washington*

Peru, Ecuador ceasefire starts

A ceasefire declared by Peru in its border conflict with Ecuador went into effect at noon yesterday, after 19 days of fighting. President Alberto Fujimori, announcing the unilateral ceasefire on Monday night, said Peru's armed forces had succeeded in dislodging Ecuadorean troops from within national territory. Ecuador accepted the ceasefire but disputed Mr Fujimori's claimed territorial gain. Ecuador maintains that the disputed bases known as Tiwinza, Cueva de Tayos, Base Sur and Coangos are still under their control and yesterday invited journalists, representatives of human rights organisations and international observers to verify the claim. *Sally Bowen, Lima*

Haiti plans sweeping sell-offs

The International Finance Corporation, the World Bank's private sector arm, is to advise the Haitian government on the privatisation of nine state-owned enterprises in an arrangement to "democratise" public assets. Haiti will sell off its power and telecommunications companies, port, airport, two banks, a cement company and two agri-businesses, allowing foreign investors to take majority shares. The IFC has yet to determine the structure of each sale, but it has been agreed that part of the revenues raised will be used to improve schools, hospitals and roads. The government is expected to hold minority stakes in each privatised company and plans to set aside shares for victims of the ousted military regime. *Nancy Dunne, Washington*

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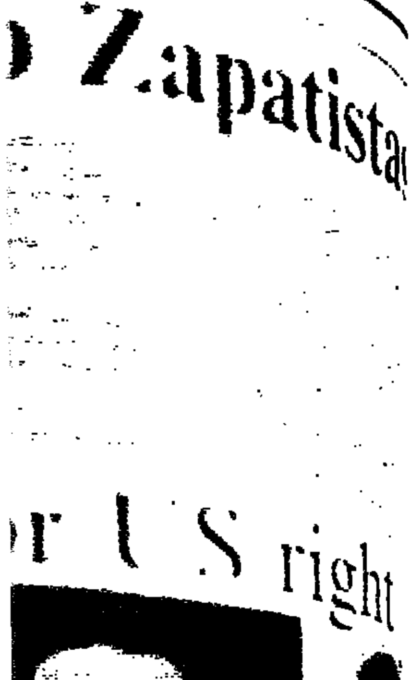
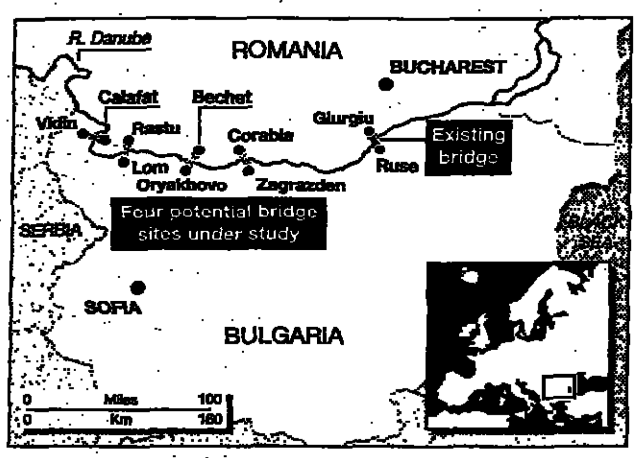


NEWS: WORLD TRADE

New Danube crossing in Balkans is planned

By Andrew Taylor, Construction Correspondent



Proposals for a much-needed new crossing of the River Danube between Bulgaria and Romania, to reduce long delays for lorries avoiding Yugoslavia, will be submitted this month to the EU, and Bulgarian and Romanian governments.

Congestion has increased as traffic has been forced to find alternative routes to once heavily used road links through Yugoslavia, connecting western Europe with Greek, Turkish and Middle Eastern markets.

At least 1.5m tonnes of freight, equivalent to 60,000 lorry-loads a year, are estimated to have been diverted through northern Adriatic ports alone since fighting there began.

A lack of adequate crossing points and border facilities on the Danube, which runs along the Bulgarian-Romanian border, however, has inhibited alternative road routes through the Balkans.

In a bid to improve trade links, the EU has financed a study of four potential locations for a road or road and rail crossing, most likely to be a bridge. Construction costs range from Ecu150m-Ecu400m ($184m-$492m) depending on what solution is chosen.

Private investors would be expected to provide much of the finance for a toll-bridge, although the EU might be prepared to provide some seed corn finance to assist the project through its Phare programme, which channels aid to eastern and central European countries.

Interest in a privately financed crossing between Bulgaria and Romania previously has been expressed by Mitsubishi of Japan as well as Turkish, Austrian and South African contractors, according to Bulgarian officials.

The latest study, conducted by Sir Alexander Gibb & Partners, the British consulting engineers, will consider financing options as well as developing traffic forecasts and the cost of providing additional road and rail links to connect to a new crossing.

Mr Brian Brent, Gibb director heading the project, said: "Currently there is only one road bridge crossing the Danube, between Ruse in Bulgaria and Giurgiu in Romania. There is also a ferry between Vidin and Calafat. A second ferry crossing was started between Oryakhovo and Bechet last year.

Even so, there can be delays of up to several days at some crossings."

The four locations being considered by Gibb are between Vidin and Calafat; Lom and Rastu; Oryakhovo and Bechet; and a stretch of river, the so-called Corabia corridor, between Zagrazden and Nikopol in Bulgaria and Corabia and Turnu Magurel in Romania.

Construction would take about three years, enabling a new crossing to be completed by the end of the century.

Seeking to aim aid at competitiveness

Caroline Southey on moves to revamp the EU's development and trade assistance

Under the Lomé Convention the European Union provides the most generous preferential access to markets offered anywhere. It is the world's biggest single aid programme. And its days are numbered.

In Brussels a comprehensive re-appraisal of the 20-year-old convention – an aid and trade package for the sub-Saharan African, Caribbean and Pacific (ACP) countries first signed in Lomé, Togo in February 1975 – is due to take place once a mid-term review of the current agreement has been completed. There is growing awareness among Commission policy makers and ACP member countries that the historical level of aid, to which the EU has committed Ecu12bn ($14.8bn) through the European Development Fund for 1990-95, cannot be sustained and that, after the Uruguay Round, preferential trade arrangements are a thing of the past.

Bruising rows between the EU and ACP countries and between EU member states during the nine-month-long mid-term review of Lomé IV have thrown into stark relief the difficulties the convention faces beyond the year 2000.

The mid-term review, due to be completed by the end of this month, marks a turning point.

Policy makers, led by Mr João de Deus Pinheiro, the new EU commissioner for the ACP countries, are beginning to develop a strategy driven by one primary objective – an improvement in the competitiveness of the ACP countries.

"The idea," says Mr Peter Pooley, the Commission's deputy director general for development, "is to integrate aid and trade better and use the aid instruments in a concerted and planned way to help increase the ACP's productivity and their effectiveness and competitivity in terms of trade."

The objectives of the Lomé Convention would be more closely allied with World Bank aid objectives.

Macro-economic targets would include technical assistance to establish currencies that were not overvalued and encourage the participation of the private sector as well as inward investment.

"There is very little tradition of the private sector in ACP countries. Most have become accustomed to state trading systems. With technical assistance these can be converted to the private sector which will do the work for nothing," Mr Pooley says.

At a micro-economic level, programmes would be aimed at specific export sectors to improve design, market research, transport and insurance.

"Instead of doing little bits of dispersed activity the idea is that we work on the basis of having a plan for the whole chain," Mr Pooley says.

A further change, signalled in the mid-term review, is that the EU will begin pressing harder for ACP countries to take note of donor priorities when applying for disbursements. Among the areas identified as needing particular attention are education, health and training, which Commission officials believe are central to the economic development of ACP countries.

"Time was when we said, there's your aid money, tell us what you want to do with it. That should no longer be the case," says a senior Commission official.

The issue is sensitive. ACP countries have resisted what they see as EU efforts to dictate aid policy. But Mr Ghebray Berhane, secretary-general of the ACP, agrees there is a need to change the way in which money is spent. "The aid should not be used whimsically. There should be proper implementation of projects and greater efficiency."

This realism in an indication of the ACP countries' commitment, shared by the Commission, to retain the multilateral arrangement. Both sides point to the advantages of co-ordinating aid policies.

"There are a number of projects for which co-operation is extremely important and which cannot be left to one country or to one region," argues Mr Berhane. He cites as examples the battle against desertification and against Aids.

ACP countries argue that the EU must put its money where its mouth is if it wants the new policies to work.

"They cannot expect us to do more but commit less money," says Mr Berhane. "Investment in the ACPs is crucial if they want us to compete on the same footing," he says, noting that EU member states are investing heavily in Latin America and Asia.

For its part the Commission is fighting a rearguard action to protect levels of aid. "Development aid is not popular, particularly with long jobless queues at home. Added to this is the unpopularity of the Commission in some member countries. Some hold the view that any money given to us is probably wasted as effectively as if you had given it to a dictator," a senior Commission official says.

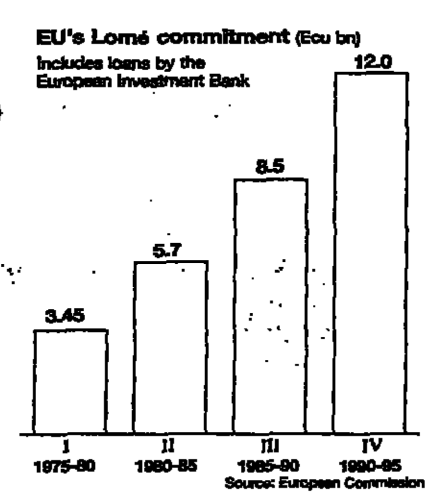
What the Lomé Convention will look like in the next century remains unclear. "We are seeing the end of a special relationship. Not by choice, not because we want it, but because if we want to retain it in some form we will have to do something about it," says Mr Berhane.

Lomé: the EU-ACP partnership

The conventions

- The four conventions are successive development aid and trade agreements between the EU countries (15) and the ACP nations: African (47); Caribbean (15) and Pacific (8)
- The first three lasted for five-year periods; the current Lome IV is a 10-year agreement (1990-2000), with a mid-term review this year
- The economic and social development aid programmes are financed by the European Development Fund, the world's biggest aid programme, made up of contributions from EU member states (above direct contributions to the EU budget)
- All ACP industrial products have access to the EU free of duty and quotas, including textiles but excluding rum, subject to rules of origin
- Most ACP agricultural products also enter free of duty, but those that compete with EU products covered by the Common Agricultural Policy are subject to tariff and/or quota restrictions

EU's Lomé commitment (Ecu bn)
Includes loans by the European Investment Bank



Source: European Commission

Britain and Germany to cut ACP aid

By Michael Holman in London and Judy Dempsey in Bonn

European Union aid to developing countries faces its first cut in real terms when ministers meeting in Brussels today to review the Lomé Convention discuss how much to pledge to the European Development Fund.

Yesterday Britain and Germany made clear they would reduce their contributions from 1998, when existing pledges run out. Among the beneficiaries of the fund are 40 of the world's poorest countries, part of the 70-member group of African, Caribbean and Pacific (ACP) nations which enjoy preferential trade terms under the convention.

Although official explanations of the cut include the claim that bilateral aid is more efficient, ministers from the ACP believe the reduction reflects changing aid priorities, with competing claims from eastern Europe, Russia and the Mediterranean.

Britain intends to "make a sizeable reduction" in its contribution to the EDF, Baroness Chalker, overseas development minister, said yesterday, while officials in Bonn also warned of cuts.

Lady Chalker said British aid disbursed through the European Union was rising from about 24 per cent of total budget to around 40 per cent in three years. "I don't find this acceptable," she said. The British allocation to EDF will be at the expense of the bilateral programme, "yet it is the bilateral programme that is doing very well indeed".

Britain also had to contribute to the replenishment of the International Development Association (IDA), the soft loan arm of the World Bank. "The more we do on EDF, the less we do on IDA, yet IDA will trigger more resources from Japan and the United States."

In Germany, which contributes 26 per cent of the EDF's Ecu10.8bn ($13.28bn), Mr Theo Waigel, finance minister, wants to cut contributions by 30 per cent, while the foreign ministry wants a 5-6 per cent reduction.

However, an official said it was unlikely that Mr Waigel would get his way as Bonn did not want to upset the French, who are committed to increasing their EDF contribution by 20 per cent.

Steady advance in car sales in western Europe

By Kevin Done, Motor Industry Correspondent

West European new car sales increased year-on-year by 3.7 per cent in January to 1.085m continuing the modest recovery begun last year.

Sales were higher than a year ago in 11 of 17 markets across west Europe led by strong demand in France and Scandinavia and increasing signs of recovery in Italy.

New cars sales in west Europe rose by 5.9 per cent last year to 11.9m, but demand still remains well below the record level achieved in the four years from 1989 to 1992 of around 13.45m.

The pace of recovery has been slowed by weakening demand in the UK, where new car registrations fell last month by 3.7 per cent year-on-year to 191,000, the fourth successive monthly decline.

The recent recovery in new car demand in Germany, the biggest single market in west Europe, was also halted in January with sales falling by an estimated 1.7 per cent to 245,000.

In France new car sales rose by 21 per cent year-on-year in January to 156,000 from 129,200 a year ago, which was the final month before the French government introduced financial incentives to encourage the scrapping of old cars.

In Italy new car registrations rose last month by 7.7 per cent confirming the rising trend of demand established since August last year.

Leading carmakers are forecasting only a modest overall increase in new car sales in west Europe this year of 3 to 4 per cent to around 12.2m.

Fiat of Italy, which includes the Lancia and Alfa Romeo brands, Ford and Renault all gained ground strongly in January.

The Fiat group moved into second place in the market narrowly ahead of General Motors of the US (Opel in continental Europe and Vauxhall in the UK). The Italian carmaker increased its registrations by 12.4 per cent to 141,100.

It raised its market share to 13 per cent from 12 per cent a year ago helped by the recovery in the Italian market, where the Fiat group accounted for 47 per cent of all new car sales in January.

Ford of the US raised its car sales across Europe by 10.7 per cent helped by a very strong performance in Germany, where it claimed more than 12 per cent of the market compared with only 8 per cent a year ago.

The Volkswagen group of Germany, the leader of the west European car market and which includes Audi, Seat and Skoda, suffered the biggest setback among the leading volume carmakers with an estimated decline in its sales of 5.7 per cent to 154,000. Its market share fell to 14.2 per cent from 15.6 per cent a year ago.

WEST EUROPEAN NEW CAR REGISTRATIONS
January 1995

	Volume (Units)	Volume Change (%)	Share (%) January 95	Share (%) January 94
TOTAL MARKET	1,085,000	+3.7	100.0	100.0
MANUFACTURERS:				
Volkswagen group	154,300	-5.7	14.2	15.6
– Volkswagen	104,800	-7.7	9.7	10.9
– Audi	25,500	+3.9	2.4	2.3
– Seat	19,400	-8.5	1.8	2.0
– Skoda*	4,600	+14.8	0.4	0.4
Fiat group##	141,100	+12.4	13.0	12.0
– Fiat	108,300	+12.7	10.0	9.2
– Lancia	17,500	+3.2	1.6	1.6
– Alfa Romeo	12,500	+14.4	1.2	1.0
General Motors#	138,000	+0.6	12.8	13.2
– Opel/Vauxhall	133,250	+1.0	12.3	12.6
– Saab*	4,750	-11.4	0.4	0.4
Ford group#	139,900	+10.7	12.8	12.0
– Ford	137,100	+10.4	12.6	11.9
– Jaguar	1,800	+42.5	0.2	0.1
PSA Peugeot Citroën	130,500	+4.8	12.0	11.9
– Peugeot	74,700	+5.9	6.9	6.7
– Citroën	55,900	+3.3	5.2	5.2
Renault	115,700	+14.2	10.7	9.7
BMW group	69,000	-2.4	6.4	6.8
– BMW	36,400	+6.2	3.4	3.3
– Rover	32,700	-10.5	3.0	3.5
Mercedes-Benz	37,500	-14.6	3.5	4.2
Nissan	31,300	-21.0	2.9	3.8
Toyota	25,900	+7.1	2.4	2.3
Volvo	19,000	+12.1	1.8	1.7
Mazda	15,300	+3.1	1.4	1.4
Honda	15,300	+19.3	1.4	1.2
Mitsubishi	9,900	+4.6	0.9	0.9
Suzuki	6,800	-3.3	0.6	0.7
Total Japanese	110,600	-2.9	10.2	10.9
Total Koreans	10,964	+35.3	1.0	0.6
MARKETS:				
Germany	245,000	-1.7	22.6	23.8
Italy	205,000	+7.7	18.9	18.2
United Kingdom	191,200	-3.7	17.6	19.0
France	155,000	+20.7	14.4	12.4
Spain	52,300	-1.1	4.8	5.1

*VW holds 50.3 per cent of Skoda. #excludes cars imported from US and sold in western Europe. *GM holds 50 per cent and management control of Saab Automobile. ##Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati. Source: ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

US-China talks go into Round 9

By Tony Walker in Beijing

Chinese and American trade negotiators today return to the bargaining table for last-ditch talks aimed at heading off a trade war over copyright violations. This will be the ninth round since last June.

China yesterday called on the US to "demonstrate flexibility".

Washington has said it will impose sanctions on $1.08m worth of Chinese imports if there is no agreement by February 26. China has threatened retaliation.

Mr Mickey Kantor, the US trade representative, said on Monday that China must play by the rules. "We are fighting for US workers and will stand up for our country and our products," he said.

The US says Chinese counterfeiting of entertainment and information products is costing US industry $1bn a year in lost revenue.

China has also staked out a tough position, warning that it would not yield to US pressure.

US sanctions have targeted imports of plastics, toys, sporting goods, and answerphones among 35 categories. China has said it will impose higher tariffs on US cigarettes, alcohol and cosmetics. It would also freeze negotiations with US car makers on new car projects.

US negotiators are pressing China to strengthen enforcement against widespread piracy of such items as laser and compact discs, video games, films, books and magazines, and computer software.

The Americans are also demanding improved access to the China market for information and entertainment products, arguing greater availability of these items would provide the Chinese with a legitimate alternative to pirated copies.

Beijing objects to US attempts to link market access with stricter enforcement. It says that access should be dealt with through specific bilateral negotiations.

Western officials and business representatives in Beijing expect the dispute to be resolved in a last-minute compromise. But this trade row has appeared more than usually complex.

WORLD TRADE NEWS DIGEST

Apec bid to please both rich and poor

The 18 members of the Asia-Pacific Economic Co-operation Forum will tomorrow start twin-track talks on free trade measures and economic help for poorer members of the bloc. The double approach was agreed yesterday at a meeting of senior Apec officials in Fukuoka, Japan.

It is the group's first step towards trying to put detail into a vague plan to liberalise trade and investment in the region, accounting for roughly half of world trade, by 2020. Japan, current Apec chairman, proposed the twin-track talks in an attempt to bridge the different aspirations of the US and developing Asian countries.

The US is keen to press ahead on free trade, to gain access to fast growing Asian markets and to improve the bloc's negotiating clout; while Asian members such as Malaysia and China see it as a loose economic co-operation forum and are fearful of US economic domination. *William Dawkins, Tokyo*

Telecom groups set standards

Thirty-seven telecommunications and information technology companies from Europe, North America and Asia said yesterday they had formed a consortium to develop global standards for telecoms software.

The Telecommunications Information Networking Architecture Consortium (TINA-C) seeks to "develop an architecture that will enable the efficient introduction and management of telecommunications services on a worldwide basis," the consortium said. TINA-C includes companies such as AT&T, IBM and Bellcore of the US, Japan's Fujitsu, Hitachi and NEC, and Europe's British Telecom, Alcatel, Deutsche Telecom and Telecom Italia. *AFP, Tokyo*

■ World airlines will post their first profit in five years after reporting healthy gains in passenger and freight traffic for 1994, the International Air Transport Association said yesterday. Most of the growth was in the Asia Pacific region.

■ A contract worth FFr2.5bn ($475m) to build a rail link between Sydney and Kingsford Smith Airport has been awarded to a joint venture between Bouygues, the large French construction group, and Transfield, an Australian construction company.

Japan loan scandal outcry grows louder

The drama embraces not only the usual cast but some august players, writes Gerard Baker

When a bank lends a sum equivalent to more than 80 per cent of its total capital to a company to build a golf course, some people get suspicious. When it emerges that the president of that bank is also the president of the company building the course, suspicions begin to harden.

When it transpires that the same bank also allegedly lends large sums of money to close relatives of a former cabinet minister, the familiar outlines of a Japanese financial scandal start to materialise.

The story of how Mr Harunori Takahashi was able to pull off this act, remarkable even by Japanese standards, is starting to emerge with the resignation yesterday of Mr Toshio Yamaguchi. It is a particularly all-embracing story of financial incompetence, including as it does, not only the usual cast of politicians from both opposition and governing parties, property developers, and bankers, but even some august players from the Bank of Japan and the Finance Ministry. It demonstrates that the political and financial detritus from the years of the so-called bubble economy in the late 1980s is still very visible.

When the Bank of Japan stepped in to rescue two small credit associations last December, it seemed like just another clean-up operation from those years of financial excess. The bank announced it was injecting Y20bn ($202m) of its own money and was persuading private banks to put another Y20bn of theirs into a new company that would take over the operations of Tokyo Kyowa and Anzen credit associations.

The scheme was designed to keep them afloat following the discovery of large numbers of non-performing loans on their balance books.

The two associations had lent heavily during the years of rising asset prices to property-related companies, and following the collapse of asset prices in the early 1990s, they, like many Japanese banks, found themselves submerged by bad loans.

But the BoJ's decision was in fact more curious than it at first seemed. Only six weeks earlier, the outgoing governor of the bank, Mr Yasushi Mieno, had declared in a valedictory speech that banks in Japan could no longer regard themselves as invulnerable to market forces.

If they got into trouble as a result of their own imprudence they could not expect to be rescued. Only if their failure represented a "systemic risk" could they expect support from the authorities. "It is not the business of the central bank to save all financial institutions from failure", he said.

But the two associations, with combined bad loans of just Y100bn, could hardly be said to have represented a systemic risk. Public criticisms of the rescue plan began to surface, most notably when Mr Ryutaro Hashimoto, minister for international trade and industry, said the bail-out was a "dangerous precedent". In the last month, as details of the two associations' activities have leaked out, the public outcry has become shrill.

At the centre of the scandal is one of Japan's more colourful financiers. Mr Harunori Takahashi, a youthful-looking 49-year-old, established a name for himself in the 1980s as a successful property developer. As president of a company called EIE International, he specialised in building golf courses and resorts around the world, including Australia and the US. But in a move that appears not to have raised suspicions in the febrile climate of the time, in 1985 he became chairman of Tokyo Kyowa, a quasi-bank.

For several years following his new appointment, EIE became one of Tokyo Kyowa's most valuable customers. According to newspaper reports in Tokyo yesterday, EIE received a total of Y37.6bn in loans from the credit association. But it was not the only beneficiary of the bank's largesse. Other companies related to Mr Takahashi allegedly received billions more yen. Soon Mr Takahashi added to his list of jobs a senior executive's post at Anzen , which also lent heavily to EIE.

> A financial institution is not permitted to lend more than 20 per cent of its total capital to one borrower. But with capital of about Y5bn, Tokyo Kyowa lent more than seven times its equity to EIE.

Under Japanese banking law, a financial institution is not permitted to lend more than 20 per cent of its total capital to one borrower. But with capital of about Y5bn, Tokyo Kyowa lent more than seven times its equity to EIE, thirty-five times the legal maximum.

Yesterday, it was alleged that both Tokyo Kyowa and Anzen had also lent similarly large sums of money to companies run by relatives of Mr Toshio Yamaguchi, the former Liberal Democratic party labour minister and until yesterday, deputy secretary-general of the New Frontier party, a party committed to cleaning up the old-style corrupt Japanese politics.

Mr Yamaguchi promptly resigned, saying he had never had personal interests in his relatives' companies but thought it necessary to save the new party embarrassment.

Though the initial embarrassment belonged principally yesterday to the opposition, it could yet prove more discomforting for the government. A series of unanswered questions focuses on the role of the authorities in the banks' activities.

The first is how the financial regulators allowed the banks to build up such a large portfolio of loans to one company, especially one run by the bank's own president. The government's defence is that the regulatory framework was, in fact, imperfect. Small institutions like the two rescued are regulated not by the Ministry of Finance or the Bank of Japan, but by local governments, in the case of these two institutions, the Tokyo Metropolitan Government.

A former ministry official said yesterday: "The problem is essentially a failure of regulation. There is inconsistency in the standards of bank supervision among the various regulatory authorities."

Aside from the fact that there are few obvious examples in recent history of the Japanese financial system's being under-regulated, the scale of the irregularities at the credit associations was so large that most people find it inconceivable the companies could have got away without someone knowing about it.

"You can't just hide loans equivalent to 30 times your capital base under the carpet," one analyst said yesterday.

A second mystery is why the authorities moved to save the two institutions, so soon after the explicit warning by Mr Mieno. The explanation given by the government is that a real risk existed of financial chaos if the banks had been allowed to fail.

Mr Masyaoshi Takemura, the finance minister, said yesterday: "We had to maintain the stability of the financial system. With that it mind, the rescue was the only option."

These fears seem overdone. The failure of two small credit associations, known to have over-extended themselves in the boom years, would have been unlikely to set off a run on the whole banking system, which, as the BoJ is usually anxious to point out, has made great strides in ridding itself of its accumulated bad loans.

As popular anger at the use of public funds to bail out failed financial institutions grows, these questions are likely to be asked more insistently. If they are accompanied by more disclosures about Mr Takahashi's connections, they may prove damaging beyond repair.

Taliban militants oust Hekmatyar's forces from key suburb

Student fundamentalists poised to seize Kabul

By Farhan Bokhari in Islamabad

The Taliban Islamic fundamentalist movement in Afghanistan yesterday scored its most important military victory, just before a United Nations mission starts work to secure a transfer of power in the capital, Kabul.

The Taliban, a group of up to 20,000 Islamic students, yesterday took control of the suburb of Charasyab outside Kabul, after an overnight attack on positions held by troops loyal to Mr Gulbuddin Hekmatyar, the former prime minister, who is locked in a bitter struggle with President Burhanuddin Rabbani.

The seizure of Charasyab leaves the Talibans at the gates of the capital.

The UN team is due in Kabul on February 18 to oversee a transfer of power from President Rabbani to an interim authority. Mr Rabbani's two-year term expired on December 28 and his rule seems threatened by the Taliban advances. He has urged the UN mission to expedite the peace process.

Mr Hekmatyar's group, Hizbe Islami, conceded defeat and said that its troops were regrouping at the city of Kunduz, 60km east of the capital. For more than two years the Hizbe Islami had used Charasyab as an operational base from which to attack Kabul. The conflict has left at least 25,000 people dead and many thousands more injured.

The latest Taliban victory has demonstrated its military might, three months after it began a campaign to rid Afghanistan of mujahideen factions, western diplomats said. So far the group has seized control of more than seven of Afghanistan's 29 provinces; its success in Charasyab is the most important to date.

Members of some mujahideen factions in Pakistan's northern city of Peshawar last night said the Taliban was likely to encounter minimal resistance from Afghan government troops, if they entered Kabul.

The Taliban's relentless advance has raised doubts about the UN's ability to secure a peaceful transfer of power to a new 30-member council representing up to nine Afghan factions. In an effort to step up the transition process, Mr Mahmoud Mestiri, head of the UN mission, said "a peaceful transfer of power" would take place by February 18, brought forward from February 22.

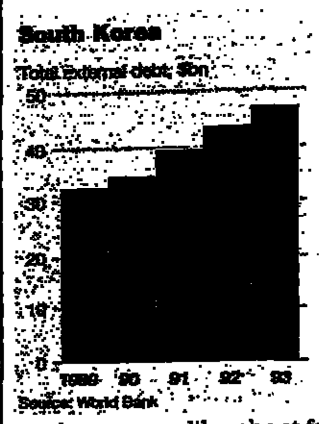
Mr Mestiri appealed to all sides to cease hostilities, open roads and restore electricity to Kabul. "The new developments in Afghanistan demonstrate the desire of the Afghan people for peace and the disillusionment with the present disastrous situation in the country," he said.

However, some Pakistani officials were concerned that Mr Hekmatyar's humiliating defeat may prompt him to counter attack, further undermining peace efforts.

ASIA-PACIFIC NEWS DIGEST

Investment in Korea up 264%

Foreign direct investment in South Korea increased by 264.3 per cent to $102m (£65m) in January from a year ago, the Finance and Economy Ministry said yesterday. Japan was the biggest foreign contributor during the month with $37m for nine projects, followed by the US with $18m and the European Union with $5m. During the same month last year, the US had led the list with $14m; Japan and the European Union invested $5m each. The investment was concentrated on the service sector, which attracted $66 in January. Foreign investment in the manufacturing sector amounted to just $3m.



■ South Korea's total foreign debt stood at $54.18bn at the end of November last year, hitting a 10-year high, the Finance and Economy Ministry and the central Bank of Korea (BOK) said yesterday. Total foreign debt represented a 23.4 per cent increase over a year ago, they said. After deducting its assets abroad, South Korea then had foreign debts of $10.27bn. The net foreign debt was falling between 1985 and 1991, but it has been increasing over the past three years, the ministry said. BOK officials said the debt situation was not yet causing concern although net foreign debt had increased from 2.4 per cent of gross national product in 1993 to 2.7 per cent in 1994. Financial institutions borrowed $31bn abroad in 1994, companies $19.6bn and the government $3.6bn. *AFP, Seoul*

Steelmakers fill the Kobe gap

Japan's leading steelmakers are increasing output to help Kobe Steel, which suffered damage to its facilities in the January earthquake, to meet its obligations to customers. Nippon Steel said it was taking an emergency measure to increase output by 100,000 tonnes to about 6.8m tonnes in the February to March period. The company's decision came after a request by Kobe to its Japanese competitors.

Sumitomo Metal Industries and Kawasaki Steel are also increasing output by 60,000 to 70,000 tonnes and 40,000 to 50,000 tonnes respectively in order to fill the production gap created as a result of the damage done to Kobe Steel's facilities. Sumitomo itself suffered damage from the earthquake at two of its facilities in the affected region. Among specialty steel makers, Daido Steel and Aichi Steel also said they would be increasing output of steel for the car industry to cope with the impact of the earthquake on Kobe Steel. Kobe Steel said on Monday that the damage to its facilities would amount to Y74bn ($484m). The company expects output at its Kobe facilities to return to normal levels by the second quarter of fiscal 1995.

However, the Japanese steel industry is bracing itself for increased demand for steel products as the region, devastated by the earthquake, begins to rebuild itself. While the increase in demand is likely to be spread over a number of years, steel used in construction is expected to start seeing strong demand later this year. Sumitomo Metal Industries estimates that the increase in demand, based on information available on the amount of damage done, is likely to be 3m tonnes over the next three years. *Michiyo Nakamoto, Tokyo*

Machinery spending increases

Japanese companies increased spending on machinery in 1994, for the first time in four years, indicating an end in a record decline in industrial investment. Machinery orders grew by 2.7 per cent to Y10,934bn ($71bn) last year, the government's Economic Planning Agency announced. If this feeds through to a subsequent rise in overall industrial investment, as machinery orders have done in the past, this will restore a missing element to the fragile economic upturn. Industrial investment has continued to be weak despite the economy's gradual improvement early last year, a worrying contrast to Japan's previous corporate spending-led recoveries.

Companies spent 8.7 per cent more on buying machines in December than in the same month in 1993, the seventh month straight month of annualised rises. This excludes orders placed by shipbuilders and electric power utilities, so volatile as to obscure the trend. If those are added back in, machinery orders fell by 1.1 per cent to Y13,385bn, for the third year running. *William Dawkins, Tokyo*

Holocaust jibe publisher resigns

The president of a leading Japanese publishing house announced his resignation yesterday, following a public outcry over a magazine article that denied the Holocaust and the existence of gas chambers in Auschwitz. Mr Kengo Tanaka, president of Bungei Shunju, a respected publisher, will step down from his current post to become chairman. The move follows the closure of Marco Polo, a monthly magazine which ran an article claiming that the Holocaust was fiction, drawing criticism from the international community.

Bungei Shunju officials said the resignation was aimed at restoring international and domestic confidence in the company. Mr Tanaka, who became president in 1988, turned Bungei Shunju from a sleepy publisher of literary books into a leading force in investigative journalism. A series of articles in the company's leading monthly in the 1970s, triggered the downfall of Mr Kakuei Tanaka, the charismatic prime minister, implicating him in the Lockheed scandal.

However, criticism surrounding Bungei Shunju's strategy of publishing controversial articles mounted following a recent series by one of its titles on the imperial family and on Japan Railway. Nissan Motor, the carmaker, recently announced a withdrawal of advertisements from the company's publications following an article by a former employee on the failure of the company's international strategy. *Emiko Terazono, Tokyo*

China's population put at 1.2bn

China's population today is expected to reach 1.2bn when one of a daily average of about 60,000 babies is born. This is not likely to be cause for celebration because it indicates that family planning programmes are faltering. China had not expected its population to exceed 1.2bn much before the end of this century. Beijing now predicts that numbers will rise to 1.3bn by the year 2000, and 1.6bn by 2050, before growth begins tapering off.

The population surge has prompted calls for greater efforts to restrain numbers, including a renewed campaign in rural areas to persuade farmers to restrict their families to one child. The authorities blamed China's large newly-mobile population for the worrying new statistics. Many Chinese from rural communities are on the move in search of work and are thus beyond the control of local family planning authorities. China's population growth rate dropped from 2.5 per cent in the 1970s to 1.1 per cent in 1993. *Tony Walker, Beijing*

India to open roads to business

India will soon give the green light to private sector participation in the building and maintenance of roads, until now a government monopoly. Mr Jagdish Tytler, surface transport minister said yesterday.

"The decision will be announced soon," after parliament amends the National Highways Act to allow the private sector to play a role, Mr Tytler said. "A lot of companies, both Indian and foreign, are waiting to be involved. We expect the new policy to be a great success," he added. Indian officials say they are looking for an infusion of private capital to help improve the nearly 34,000km of national highways. Many roads are in poor shape, and foreign companies wanting to invest in India following a liberalisation of the national economy have been pressing the government to open up the sector. *New Delhi, AFP*

Pakistan's tax revenues up 50%

By Farhan Bokhari

Pakistan's tax revenues improved almost 50 per cent in January compared with the previous six-month period, due to a big shake-up in the taxation bureaucracy, Mr V Jafarey, the prime minister's adviser on finance, said yesterday.

Despite this year's loss to the crucial cotton crop, the macro-economic indicators might not perform as badly as earlier feared, he added.

January's exports rose 15 per cent over the same month last year, while imports rose 7 per cent. Tax revenues for the month increased to Rs22bn ($700m), up from an average monthly collection of Rs16bn ($510m) since the new budget year began last July.

Mr Jafarey's remarks came ahead of next week's crucial talks between Pakistan and the IMF in Washington. Pakistan is in the second year of a three-year structural adjustment programme, but is already lagging behind IMF targets.

The government forecasts a 5.3 per cent growth in gross domestic product for the year to June 1995, down from a targeted 6.9 per cent. Officials are worried about inflation running at more than 14 per cent annually, significantly higher than the 8-9 per cent aim.

● The Pakistani government said yesterday it had restricted transit of certain luxury goods bound for Afghanistan because huge amounts were being smuggled back, costing the government millions of rupees in lost duties. Imported air-conditioners, refrigerators, television sets, black tea, tyres and other items will not be allowed to be transported into Afghanistan, Mr Jafarey stated.

Despite the continuing civil war in Afghanistan, its transit trade via Pakistan had jumped from $129m in 1989-90 to $320m last year. The government had been forced to act to protect domestic industry from competition from cheap smuggled consumer durables.

Traders imported 38,000 refrigerators, ostensibly for Afghanistan, in the last six months of 1994, against 5,000 in the same period in 1993, officials said. The figure for air-conditioners jumped to 98,000 from 4,000 and television sets to 295,000 from 36,000.

Pakistani businessmen have reportedly set up "dummy" companies in Afghanistan which import goods duty free, under the transit agreement. The goods are then smuggled back through remote passes.

U Nu of Burma dies aged 88

By Chit Tun in Rangoon

U Nu, Burma's only democratically elected prime minister, died yesterday in east Rangoon. He was 88.

U Nu, a former teacher and writer, became the first prime minister of independent Burma in 1948. He served three terms as prime minister and held the centre stage of domestic politics until 1962, when he was ousted in a military coup. Forced into exile, he set up an insurgent organisation based in Thailand, which fizzled out in the early 1970s.

He returned to Burma in 1980 under the general amnesty proclaimed by General Ne Win, then president of Burma, and in 1988, when Burma was rocked by widespread pro-democracy protests,

U Nu: three terms as PM

he set up a "parallel government", claiming that he was still the legal prime minister of Burma.

The State Law and Order Restoration Council which seized power in September 1988 ordered him to disband his "parallel government". U Nu refused and was placed under house arrest. This was lifted in 1992, and he has since spent most of his time in Buddhist meditation.

LEGAL NOTICES

No. 6010 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
ENGLISH & AMERICAN INSURANCE COMPANY LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that on 15 December 1994, the Scheme of Arrangement between English & American Insurance Company Limited (the "Company") and its Scheme Creditors (as defined in the Scheme of Arrangement) was approved by Scheme Creditors.

On 25 January 1995, the High Court sanctioned the Scheme of Arrangement as approved by Scheme Creditors.

On 31 January 1995, the United States Bankruptcy Court for the Southern District of New York granted a permanent injunction order under section 304 of the United States Bankruptcy Code, providing for the enforcement of the terms of the Scheme of Arrangement in the United States.

On 8 February 1995, the High Court ordered that the winding-up petition presented against the Company be dismissed and the appointment of provisional liquidators to the Company be terminated.

On 8 February 1995, the order made in the High Court sanctioning the Scheme of Arrangement was delivered to the Registrar of Companies in England for registration. The Effective Date of the Scheme of Arrangement is therefore 8 February 1995.

Anthony James McMahon and Roger Smith, partners in the firm of chartered accountants, KPMG, and formerly the joint provisional liquidators of the Company, were appointed Scheme Administrators on 10 February 1995.

The members of the initial Creditors Committee are:

The Institute of London Underwriters
The International Policyholders Association
Lloyd's Insurance Brokers Committee
Lloyd's Underwriters' Association
Participant Run-Off Limited
Fireman's Fund Insurance Company
Dow Corning Corporation
Hill Wynne Troop & Meisinger
Anderson Kill Olick & Oshinsky
Policyholders Protection Board

Dated: 10 February 1995

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

Solicitors to:
Anthony James McMahon and Roger Smith
Scheme Administrators of the Company

صحكتا من الاصل

S Africa court must rule on death penalty

By Roger Matthews in Cape Town

South Africa's powerful and controversial Constitutional Court was inaugurated yesterday, with its first task to decide on the future of the death penalty and of nearly 450 people who have been sentenced to die.

The court, composed of nine men and two women, the majority of whom are white, is responsible for measuring the actions of the legislature, the executive and the judiciary against the bill of rights which forms the core of the country's interim constitution.

It can overturn legislation passed by the black majority in parliament if it considers a new law violates the constitution. It will also decide on the validity of the final constitution when the draft is completed.

President Nelson Mandela said at the inaugural ceremony in Johannesburg that he expected the court to be "creative and independent, not a rubber stamp". He emphasised that its primary responsibility was to protect the human rights of every South African.

Mr Mandela recalled that the last time he had stood before a court it was to hear whether he had been sentenced to death. One of his defence team on that day in 1964 had been Mr Arthur Chaskalson, who most recently played a significant role in drafting the interim constitution and was subsequently chosen by Mr Mandela to be the president of the new court.

Some politicians have expressed concern that these new arrangements, whereby the constitution has supremacy over parliament, will allow unelected judges to frustrate the wishes of the electorate. But Mr Chaskalson expressed his pleasure yesterday that South Africa would never again have to suffer under the doctrine of parliamentary supremacy.

The hearings into the future of the death penalty, which begin today, underline the challenges posed to the political system by the inauguration of the new court. Submissions to the court claim that the death penalty runs counter to the bill of rights which gives every South African the right to life. If the court accepts that view, the death sentence will be abolished.

The coalition government of national unity is divided over the issue, with the majority African National Congress backing its abolition, and the former-ruling National party in favour of retention. With South Africa suffering one of the highest murder rates in the world, opinion polls have shown that most of the public also believes the death penalty should be kept.

The court's verdict on the issue will decide the fate of two men who were found guilty of murdering four people when they opened fire with AK-47 semi-automatic rifles on a bank security vehicle at a Johannesburg hospital in 1990. This case will serve as a test for 10 similar cases.

A range of submissions by organisations most closely involved have already been made and cover all the well-rehearsed arguments for and against the death penalty. The most politically charged draw on American experiences which suggest that by far the greatest number of those sentenced to death are poor and black. The prosecution service and police maintain that the country faces such a critical law and order situation that, for murder and violent crime, the death penalty is still necessary.

As in the US with its Supreme Court, the arguments employed by the South African judges will be watched with intense interest.

Several are known to be opposed to the death penalty, but not all of them had their views tested publicly before being appointed. Others were members of the ANC and are thought likely to follow party policy. If nothing else, Mr Mandela's presence in court yesterday should have reminded the judges of how damaging capital punishment could be to a country's political future.

Politics mask N African population successes

European fears of migration from the Maghreb are exaggerated, writes **Roula Khalaf**

For many west Europeans, North Africa conjures up images of an exploding population breeding armies of young discontented and unemployed men prone to taking up arms in the name of Islam and forcing their westernised brethren to seek shelter in Europe.

Algeria's three-year civil strife has served to increase anxieties, especially in France, that a collapse of the army-backed Algerian government will flood the streets of French cities with immigrants.

Demographers say the issue has been politicised and the threat to Europe exaggerated, masking the deceleration in population growth and the efforts at population containment undertaken in all three North African countries.

The most striking feature of Algeria's 27.9m people, Morocco's 26m and Tunisia's 8.7m is that more than half is below the age of 25.

With 50 per cent unemployment among the young in Algeria and the country torn by civil strife, such statistics are cause for concern. Less so, however, in the developing economies of Morocco and Tunisia. Western portfolio managers investing in the area, for example, point out that a young population on average will have less dependents, thus reducing the burden on the work force.

Annual population growth rates have been on a downward trend – from 3.14 per cent and 2.45 per cent respectively in Algeria and Morocco in 1975-1980 to an estimated 2.27 per cent and 2.06 per cent today – and they are projected to continue downwards.

What alarms Europe are oft-quoted EU figures, based on a 1992 World Bank study, which maintain that the projected increase in the Middle East and North African population by the year 2010 will dwarf the Bank's projections for gross domestic product growth, thus widening the GDP per capita gap between Europe and the Mediterranean to the level of 1 to 20 from a current 1 to 10.

However, a comparison of Europe with North Africa only reveals less pessimistic projections, with the wealth gap likely to rise to a level of 1 to 14 from 1 to 11. The gap is likely to be even lower. The World Bank's estimate of a 90m population in North Africa in 2010 has already been revised by the Bank to just over 86m. The UN estimate is 82.8m.

Mr Youssef Courbage, of the Institut National d'Etudes Demographiques in Paris, argues that North Africa has emerged as an intermediate demographic area between Europe and the Middle East. One reason he says, is the region's heavier integration with Europe. "Without immigration, leading to remittances of savings, sending of consumer goods and above all the transfer of values and outlook, the transition to lower fertility would have been much less rapid," he concludes.

In 1992, Mr Courbage and Mr Philippe Fargues maintained in a study that demographic projections for the Maghreb were not as gloomy as many had suggested. By separating women according to their educational levels and projecting fertility rates based on each level, the demographers claimed the UN's 1992 projections were overestimated. (The UN this year revised its projections taking account of Mr Courbage and Mr Fargues' analysis.)

The demographers found that an Algerian woman with no education, for instance, bore 7.34 children compared with 3.39 children for a woman with secondary school or higher education. Although female illiteracy is still common throughout the Arab world, it is nowhere near the levels of 30 years ago. In the 1960s, 85 per cent of Algerian and 96 per cent of Moroccan and Tunisian women were illiterate. Today, more than half of Algerian and Tunisian women and nearly 40 per cent of Moroccan women can read and write.

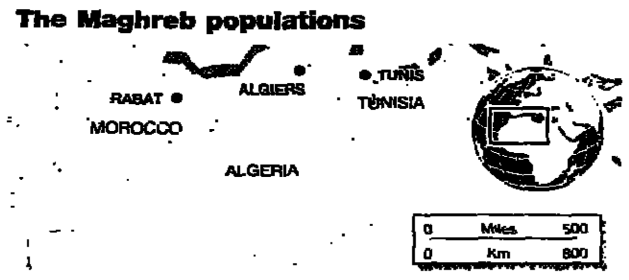
Mr Courbage sees continued improvement in the lot of women through better access to education and further urbanisation. In Tunisia polygamy was abolished after independence in 1956 and a legal age was set for marriage. Such reforms paved the way for a successful family planning programme, which helped bring fertility rates down from 5.9 children per women in 1973 to 3.3 in 1992.

Although the Moroccan government has no explicit family planning policy, such services are integrated within maternal and childcare services. King Hasan II has also recently asked for a review of the family code with the aim of promoting empowerment of women.

Algeria took much longer to embark on population containment programmes, but it achieved results quickly. Since the family planning scheme started in 1983, fertility rates have dropped from 6.35 to 4.61 in 1989, before stabilising at 4.45 between 1990 and 1992. Although some point to this plateau as evidence of how Algeria's population programme would fare under an Islamist government, the stagnation may just as well be due to the curtailment of services.

Nor is it clear that Algeria's Islamist party, should it come to power, would push back the gains in education achieved by women. According to Mr Courbage: "In the complex situation of the debate on Algeria's future, the myriad ideological and political uncertainties make it hard to postulate the future for women in its (Algeria's) economy. The radical solution – women's renunciation of their working lives – is not only illusory, but is not even unanimously propounded by the leadership of the Islamic opposition parties."

The Maghreb populations



	Morocco	Algeria	Tunisia
Population	26m*	27.9m*	8.7m*
Growth rate	2.06%**	2.27%**	2.3%**
Projected growth, 2010-20	1.19%	2.10%	1.19%
Aged under 25, 1995	57.32%	59.9%	55.4%
2020	46.9%	48.9%	45.4%
Live births per woman, 1960	7.17	7.28	6.97
1995	3.75	3.85	3.15
	* 1994	* 1995	* 1994
Source: UN estimates	** 1982-92	** 1995	** 1984-94

INTERNATIONAL NEWS DIGEST

Arab nations draft arms pact

Egypt and the Arab League secretariat, piling pressure on Israel to disclose its nuclear secrets, have drafted a treaty that would make the Middle East a zone free of weapons of mass destruction. The treaty, submitted to representatives of Arab states at a meeting in Cairo yesterday, is designed to include Israel and Iran alongside all 22 members of the Arab League.

The present proposals would come into force only when eight core states signed and ratified it – Jordan, Israel, Iran, Algeria, Iraq, Saudi Arabia, Syria and Egypt. President Hosni Mubarak of Egypt proposed such a zone in 1990 but Egypt has not previously formalised it in a treaty.

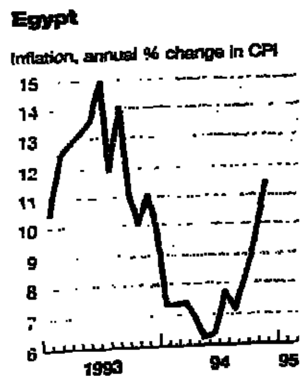
The idea has again come to prominence as Egypt, Israel and the US manoeuvre over extending the Nuclear Non-Proliferation Treaty (NPT), which runs out this year. Mr Adnan Omran, an Arab League assistant secretary-general, linked the treaty directly to Israel's refusal to sign the NPT and to open its nuclear programme to international inspection.

The row over the nuclear treaty has driven a large wedge between Egypt and Israel. US attempts to mediate a compromise do not appear to have borne fruit. Mr Shimon Peres, Israeli foreign minister, said on Monday that he and his Egyptian counterpart had clashed on the subject in Washington. Against this background it is most unlikely that the treaty will come into force in the near future. However, diplomats said Egypt saw it as a way to mobilise Arab support against the nuclear status quo. *Reuter, Cairo*

Egypt sees surge in prices

Egypt

Inflation, annual % change in CPI



Source: Datastream

Egypt's inflation rate rose to 12 per cent last year from 9.7 per cent in 1993, government figures showed yesterday. The figures, released by the Cabinet Information and Decision Support Centre, reflect a surge in price rises which started in June last year. Year-on-year inflation at the end of November last year was 11.4 per cent. The government, committed to a wide-ranging programme of economic reform under World Bank and International Monetary Fund supervision, said last year it aimed to bring inflation down to 3-5 per cent by the end of 1995. The central bank discount rate – the interest rate charged on central bank loans to banks – has fallen steadily to 14 per cent, still 2 percentage points above inflation. Bankers said the price rises might mean discount rates start heading up again. *Reuter, Cairo*

Syria to build textile plants

Syria is to invest more than S£16bn (£245m) in two new factories and the expansion of existing textile plants as part of a plan to boost the cotton industry, Mr Ahmad Nezamuldin, the industry minister, said. The plan would allow the private sector to engage in the ginning industry for the first time. Mr Nezamuldin said Syria's annual production of cotton stood at 650,000 tonnes, yielding 234,000 tonnes of ginned products. About 150,000 tonnes of ginned cotton are exported. Existing factories have the capacity to handle 80,000 tonnes of ginned cotton a year and the new factories will increase that to 120,000 tonnes, creating 5,000 jobs. *Reuter, Damascus*

Santer speech today will shake Tories

By Robert Peston in London and Lionel Barber in Brussels

A speech today by Mr Jacques Santer, European commission president, is likely to widen UK government divisions over Europe by calling for monetary union at the earliest feasible time.

Ahead of the speech, which will set out a five-year programme for the Commission, Mr Major yesterday made his clearest statement to date that the UK will keep passport controls for traffic from other European Union countries, even though Mr Santer will today call for the removal of such controls.

Equally controversial for the UK government will be a statement by Mr Santer that the Commission will strive to achieve a single European currency by the beginning of 1997, subject to the Maastricht economic convergence criteria being met.

This may be interpreted by Conservative MPs as a snub to Mr Major, who has said that he does not believe that the economic conditions will be in place for monetary union by then – and that even if other countries go ahead, the UK will stay outside any combined currency till the end of the century at the earliest.

Meanwhile Mr Major yesterday moved to fill the gap in his government caused by the resignation at the weekend of Mr Charles Wardle, junior trade minister, who quit over the threat to UK border controls.

Mr Wardle has been replaced by Mr Richard Page, a low profile MP who has been given ministerial office for the first time since entering parliament in 1976.

Mr Major pledged yesterday in the House of Commons that he would take "whatever steps are necessary" to keep passport checks at British ports. When asked whether this meant the UK would be prepared to defy any future European Court ruling on the issue, a senior official said: "There is a limit beyond which I cannot step."

Despite what appears to be a veiled threat by the Government to disobey the court if necessary, Conservative Eurosceptics say they remain unhappy about the government's policy for retaining the border checks.

A group of Eurosceptic MPs who have been deprived of the party whip last night tabled a parliamentary motion calling on Mr Major to press for the UK's right to border controls to be raised at next year's EU Intergovernmental Conference.

Meanwhile, Mr Douglas Hurd, the foreign secretary, last night warned against any further centralisation of power in the EU, saying such a move would "run against the grain of our history and the instincts of our people." Speaking in Stockholm, Mr Hurd said it would be a "huge mistake" for the EU to adopt big changes at the intergovernmental conference.

Brussels hopes to drop internal border controls

By Lionel Barber in Brussels

Mr Jacques Santer, president of the European Commission, will today call for the lifting of border controls inside the EU to fulfil the goal of a barrier-free internal market.

His declaration, in a speech to the European parliament in Strasbourg, foreshadows fresh Commission proposals for legislation later this year. It seems certain to arouse opposition in the UK, although other EU countries such as Denmark, Ireland, Sweden, and Finland also have reservations.

The Commission is pre-empting legal action in the European Court of Justice by the European Parliament. Members of the parliament (MEPs) have filed suit against the Commission for failing to enforce the 1986 Single European Act which provides for the free movement of goods, services, people, and capital by January 1 1993.

Commission officials in Brussels yesterday reacted with bewilderment to suggestions among Eurosceptics in Britain's ruling Conservative party that Mr Santer's support for a border-free EU was intended to undermine the government of the UK prime minister, Mr John Major.

Brussels officials do acknowledged that the timing of Mr Santer's speech was unfortunate because it comes four days after Mr Charles Wardle, a junior trade minister, resigned from the UK government after raising the alarm about the relaxation of the EU's internal checks.

Seven EU countries – Belgium, France, Germany, Luxembourg, the Netherlands, Spain and Portugal – are soon to scrap all document checks on travellers over a three-month period.

Under the so-called Schengen agreement, the lifting of controls will apply not only for EU citizens flying within the signatory states, but also to visitors to Europe from third countries who have gained entry to the EU through a joint visa.

The Schengen states and the European Commission argue that relaxation of internal borders is more than compensated by the strengthening of external EU frontiers to prevent the entry of undesirable aliens, economic refugees or other asylum-seekers.

Because it is worried about the effectiveness of the new external curbs, Britain has not joined Schengen. Italy has yet to sign up because it has still to introduce laws to protect computer files, while Greece does not yet have the necessary technology. Austria has observer status.

Denmark, Finland and Sweden have a special problem with Schengen because they do not have border controls with Norway whose voters rejected EU membership in last November's referendum.

"Reimposing frontier controls with Norway would be politically sensitive in Scandinavia," a Brussels legal expert explained. "On the other hand, lifting all controls would give Norway *de facto* membership of Schengen."

In 1985, Baroness Thatcher, then UK prime minister, signed the Single European Act. But she obtained a declaration in the treaty which reaffirmed the right of member states to take measures to control immigration from third countries, and to combat terrorism, crime, drug-trafficking and illicit trade in art and antiques.

In the UK, these words are often described, misleadingly, as a treaty opt-out. Legal experts in Brussels yesterday said the 1985 declaration had no juridical force and was subordinate to the treaty requirement supporting freedom of movement of people.

Moreover, the declaration may have been weakened by the UK government's signing of the 1991 Maastricht treaty which reaffirmed the right to freedom of movement, the experts said. However, the Commission's directive, planned this year, must still be approved by the Council of Ministers, where the UK has a veto.

If official figures are to be believed, the UK does not have an immigration problem, John Authers writes. Home Office data show a period of great stability in a policy which has frequently provoked political controversy since 1945. The total number of immigrants in 1993, the last year for which official figures are available, was given as 55,640, only a slight increase on 52,790 in 1992 and 53,900 in 1990.

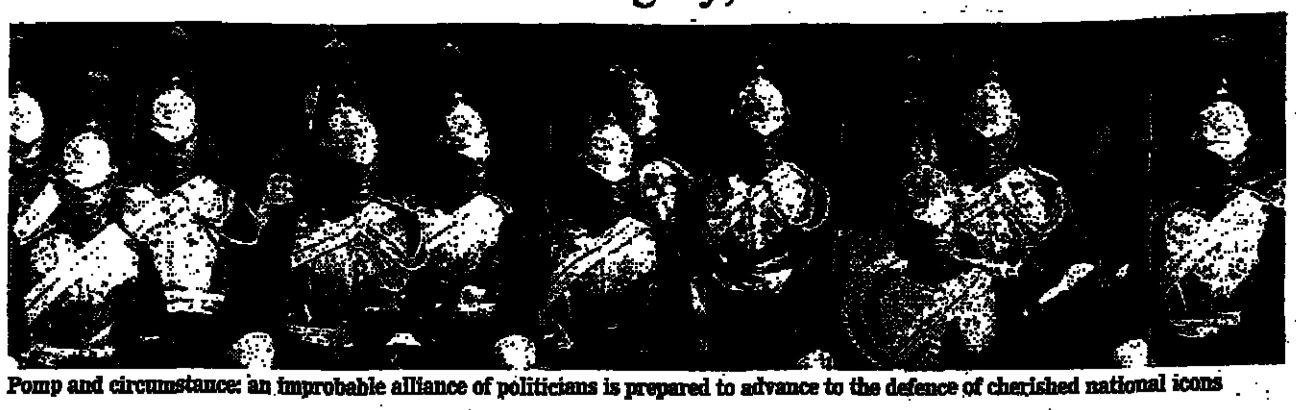
The number of immigrants who have been removed, either by deportation or following formal warnings, also remains stable and quite low, and has stood at about 6,000 each year so far this decade.

The problem lies in the accuracy of the data. Immigration officials claim that these figures "massively" understate the scale of illegal immigration, which by definition cannot be included in the figures.

Once illegal entrants are included, the Immigration Service Union believes the total influx to the UK each year would be tripled. Mr Martin Slade, deputy general secretary, said: "The biggest problem is eastern Europeans. They have ready access to the land mass of Europe." He said the UK's problems had increased since a "light touch" approach to intra-European arrivals in 1993.

Suspicion of EU superstate transcends party divisions

Hostility is growing to an institution which is viewed widely as a threat to national sovereignty, writes Kevin Brown



Pomp and circumstance: an improbable alliance of politicians is prepared to advance to the defence of cherished national icons

Five years after the UK prime minister, Mr John Major, signalled the end of the hostile approach to the European Union of his predecessor, Baroness Thatcher, his pledge to put Britain "at the heart of Europe" looks increasingly hollow.

The promise was made in the heady days after Mr Major succeeded Lady Thatcher. Nowadays, Mr Major told Thatcherite MPs recently, his aim is to avoid a "centralist" Europe, and to hang on to the UK veto.

Mr Major's approach has been changed by the militancy of a group of Conservative critics of the EU, usually referred to as Eurosceptics, who have cleverly exploited the government's narrow parliamentary majority.

Broadly, the Eurosceptics number between a third and a half of the 321 Conservative MPs. Their degree of hostility to the EU varies, but all revere the rights of nation states, and oppose further erosion of the powers of the UK parliament – particularly the establishment of a single European currency.

Their concern with sovereignty is not unique. Many French voters share similar sentiments, reflected in the narrow referendum majority for the Maastricht treaty.

Opinion polls in Germany demonstrate strong opposition to a single European currency, while Denmark agreed to Maastricht only after two referendums. Norway rejected the EU, and Switzerland refuses even to join the European Economic Area.

Nevertheless, visceral anti-EU feeling appears to be increasing in the UK, prompting open discussion of the possibility of withdrawal by senior politicians such as Mr Norman Lamont, the former Conservative chancellor (chief finance minister).

Mr Bill Cash, a leading Eurosceptic MP, says that sovereignty is about power. "There are those who think you can split it, but you cannot. Power has to reside in one place, because opinions can be pooled but decisions cannot."

But there are more fundamental objections, prompted by fears that the process of integration with Europe increasingly conflicts with Britain's sense of separate identity, itself a product of geography and history.

Some critics say this is a result of Britain's lack of land borders. Others cite the experience of two world wars – apart from neutrals, Britain is the only EU country not to have been defeated or occupied this century.

In private, many go further, casting doubt on the democratic credentials of EU states where democracy took root only after 1945 or, in the cases of Spain and Greece, less than a generation ago. The Eurosceptics' influence has grown stronger since November, when nine MPs were excluded from the Conservative parliamentary party after opposing increased contributions to the EU, putting the government in a technical minority of five.

Mr Tony Blair, the leader of the opposition Labour party, has taken a more positive approach to the EU, and has sought to exploit Conservative divisions to prompt an election before 1997, the last date available to Mr Major if his government lasts.

But Labour harbours Eurosceptics, too. More than 60 Labour MPs voted against the Maastricht treaty in one or both of two crucial votes, and 40 defied the party leadership in the November vote on EU finances.

Mr Nigel Spearing, a veteran Labour critic of the EU, says Britain is becoming sensitive to the erosion of sovereignty because people are realising that the country's largely unwritten constitution is being replaced by EU treaties.

"A programme for government from a modern Atlee [Labour UK prime minister from 1945 to 1951] would be outlawed by the treaties," he says. "No political party can advocate a programme which is contrary to the requirements of the treaties, and to that extent we have lost fundamental democratic freedoms."

Eurosceptics on both sides also claim that voters were deceived by a cross-party consensus mobilised to take the UK into the European Community in 1973, and to keep it there during a 1975 referendum on membership.

This was the theme of a manifesto produced last month by eight of the nine excluded Conservatives. The document, entitled A Sense of Country, claimed that the electorate voted for a free trade area and found itself saddled with a superstate.

Mr Peter Shore, a former Labour cabinet minister, said this week that there was "deep suspicion that there is a virtual conspiracy not to tell the British people the truth either about what has already been surrendered or about further demands that are known to be in the pipeline."

Even Mr Paddy Ashdown, the leader of the federalist Liberal Democrats, claims that "most people see Europe as a conspiracy by the politicians and bureaucrats, from which they are excluded."

Against this background of suspicion, Mr Major has sought to steer a course acceptable to Eurosceptics and other EU states. All the signs are that the waters are becoming choppy.

Letters, Page 12

Names win £210m interim payout

By Ralph Atkins, Insurance Correspondent

Some of the worst-hit Lloyd's of London members yesterday won a £210m ($327.6m) interim award, an amount which was bigger than expected.

The High Court ruling in favour of Gooda Walker Names – the individuals whose assets have traditionally supported the insurance market – may prove a setback to hopes at Lloyd's of resolving the many pending cases out of court.

It was hailed by the Gooda Walker Action Group, whose 3,000 members lost heavily as a result of natural catastrophes in the late 1980s. Mr Philip Rocher, of Wilde Sapte, the group's solicitors, said the judgment was "a significant step" towards winning full compensation for losses which the High Court said in October resulted from "culpable" and "unjustified" risks by the now-defunct Gooda Walker agency. A hearing on total damages for Gooda Walker Names, which the court indicated would be "substantially higher" than the £210m, will start on March 27.

LLOYD'S
LLOYD'S OF LONDON

The victory was marred, however, by uncertainty about whether even the interim award can be met from "errors and omissions" insurance policies taken out to cover against negligence awards by the 71 professional agencies sued.

Clyde & Co, solicitors representing the agencies' insurers, said some policies were void while others were inadequate. About 20 of the agencies involved are in liquidation.

A decision by the High Court to allow the insurers 14 days to pay means that Gooda Walker Names will not escape a rule change which Lloyd's plans to implement on Monday.

It would require damages to be used to settle Names' debts at the insurance market. Unless ruled unlawful – and a legal challenge is expected – that could take more than £50m of yesterday's award. Lloyd's last night restated that "a settlement is the only fair way of ending all this litigation". But the size of the interim payment may make it harder for Mr Peter Middleton, Lloyd's chief executive, to forge a settlement between Names and agencies being pursued for compensation.

Mr Michael Deeny, Gooda Walker Action Group chairman, said: "It strengthens our hand in negotiations, but I'm not closing the door."

Some Names will be encouraged to continue legal action by the court's ruling that the agencies' insurers must add interest to damages awards if not paid promptly. That might reduce the incentive for the insurers to delay legal proceedings via repeated appeals.

Underlining growing tensions between various Names groups, a coalition of action groups with cases still in the legal pipeline have appealed this week against an earlier High Court decision that damages should be awarded on a "first come, first served" basis.

Saatchi queries sale of shares by founder

By William Lewis and Diane Summers

Saatchi & Saatchi has passed details to the London Stock Exchange of a share transaction allegedly carried out on behalf of Mr Maurice Saatchi, the advertising company's founder and former chairman, which the company considers may have broken its own and stock exchange rules.

The details relate to the sale of 679,375 Saatchi shares in December 1993 by Strand Nominees.

Saatchi said yesterday: "The company has passed details of certain share transactions by the former chairman Mr Maurice Saatchi over a year ago to the Stock Exchange. These details only came to the attention of the company in recent weeks."

Saatchi said Mr Saatchi broke company rules by failing to disclose the transaction to the company.

It also believes elements of the deal may have contravened the London Stock Exchange's Model Code.

But a close friend of Mr Maurice Saatchi said the Strand Nominee shares that were sold were owned by Mr Charles Saatchi, Maurice's brother.

The adviser said Mr Maurice Saatchi had disposed of his 1.8m shares in a separate deal in January 1995 and had had nothing to do with the 1993 deal.

London Stock Exchange officials are already probing Mr Maurice Saatchi's 1.8m share deal and it is thought that they may now also examine the 1993 share transaction.

"As Mr Charles Saatchi was not a director in December 1993 it is not clear what rule he has broken", Mr Saatchi's friend said.

The share transaction was discovered by the company after it used company law to require the controllers of nominee shareholders to reveal their trading records and the ultimate owners of the shares they hold.

Separately, Saatchi & Saatchi announced it had started legal proceedings against the Saatchi brothers and one of their companies, Hatzone, over their involvement in Adidas, the German sports shoe manufacturers. Saatchi & Saatchi claims it is owed money from profits the brothers made on investments in Adidas, made in February 1993. Adidas is chaired by Mr Robert Louis-Dreyfus, a former Saatchi & Saatchi chief executive.

The Saatchi brothers maintain their investments were a personal matter and the transactions had been minuted by the Saatchi group board at the time.

Protests cut live calf trade by 30%

Protests have cut the number of live calf exports from the UK to mainland Europe by 30 per cent and halved the number of sheep exports in recent weeks, the Meat and Livestock Commission, the official meat promotion agency, said yesterday. Alison Maitland writes.

Calf prices are down as much as 25 per cent on last year as a result. However, sheep prices are much less affected because this is not the season for live sheep exports.

The industry body said: "It seems likely that live export volumes in future years will be significantly lower than the peak levels of 1993." Exports of calves and sheep that year were worth £185m ($287m).

The impact of the animal welfare campaign was revealed as Mr William Waldegrave, the UK agriculture minister, discussed the controversy in London with his French counterpart, Mr Jean Puech, who is also president of the European Union agricultural council. The issue will be discussed at next week's agriculture council in Brussels.

Commodities, Page 23

UK NEWS DIGEST

Firefighters cancel trade trip to Iraq

A British company has cancelled its participation in a trade delegation to Iraq following the disclosure that it was planning to discuss the provision of firefighting equipment for Iraq's petrochemical and oil industries. The company, Angus Fire, which is part of industrial conglomerate Williams Holdings, had planned to discuss the supply of foam liquid and related hardware for these sectors.

Williams Holdings said yesterday that Angus Fire had obtained a communication licence covering firefighting equipment only in general terms. It is understood that the company had interpreted this as an unconditional licence with which to discuss future contracts with the Iraqis.

Under United Nations sanctions, communication licences limit UK companies to discussing with Iraq contracts covering food, medicine, and other essential humanitarian goods. The Department of Trade and Industry in London said last night it was not prepared to comment on whether it had issued Angus Fire with a communication licence. *Jimmy Burns*

Train drivers' union to ballot over pay and staffing

Aslef, the union representing train drivers, is balloting its 15,000 British Rail members on pay, manning and pensions issues. The move comes as the union's left-dominated executive prepares for a summit conference with full-time officials on February 27 to reassess the union's plan to confront the privatisation process.

Union members will be asked in the ballot to approve industrial action if they are not offered a "substantial" pay rise above the rate of inflation when their wage negotiations begin shortly. *Robert Taylor, Employment Editor*

Eurotunnel summer fares are set to compete with ferries

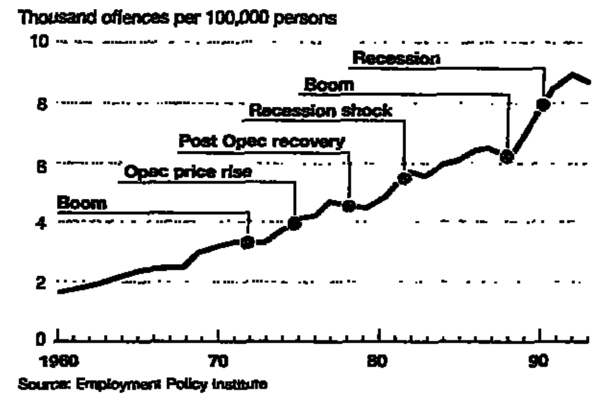
Eurotunnel yesterday announced spring and summer fares for its Channel tunnel shuttle trains slightly below the rates quoted by the ferry companies in their brochures. It said it was out to compete with the ferries but did not want to trigger a price war. Fares range from £115 ($179.40) for a five-day return for a car and passengers to £308 for a standard return. These compared with ferry fares from £124 to £330. The Eurotunnel fares will apply from March 31 when the company will switch to a full turn-up-and-go service from the present arrangement which requires pre-booking. Eurotunnel will double the length of its trains next month.

Meanwhile European Passenger Services, which operates the Eurostar passenger-only trains between London, Paris and Brussels, said its Brussels service had attracted fewer people than expected. *Charles Batchelor, Transport Correspondent*

Research linking lack of jobs to crime is challenged

Government denials of any causal links between crime and unemployment are challenged today by Dr John Wells, a lecturer at Cambridge University. His report, published by the Employment Policy Institute, an independent think-tank, questions government findings and claims that the evidence linking crime and joblessness is much stronger than supposed. Dr Wells said Home Office studies had neither taken adequate account of the fact that unemployment was a "lagging indica-

Property crime in England and Wales



Source: Employment Policy Institute

tor" of conditions in the economy, nor adjusted properly for inadequacies in official statistics. "On closer examination, changes in crime can be linked to the state of the labour market," he said, declaring that crime against property decreased in periods of economic buoyancy and increased during recessions. *Lisa Wood, Employment Staff*

Missing lord's will disclosed: The will of Lord Lucan, who disappeared more than 20 years ago and whose death has never been established, shows his property worth less than £150,000 when he was last seen. Lord Lucan, is still wanted by Scotland Yard for the murder of his family's nanny and the attempted murder of his wife. He is a descendant of the Earl of Lucan who in the Crimean war gave the order for the fateful charge of the Light Brigade.

Man bailed on virus charges: A man accused of introducing computer viruses was bailed in court in Plymouth, south-west England. Mr Christopher Pile, 26, faced five charges of accessing a computer without authorisation to facilitate crime, and five of modifying computer material without authorisation. He is believed to be the first person to face such charges.

£700m expansion for phones group

By Alan Cane

Cellnet, the second-largest UK mobile phone company, plans to spend up to £700m ($1.085bn) over the next three years to create what it claims will be the world's most advanced cellular phone network.

Cellnet, owned jointly by British Telecommunications and Securicor, has for the past decade lagged behind Vodafone as the UK's largest mobile phone operator. The most recent figures suggest that Cellnet is now growing faster than its larger rival and is set to overtake it in total subscribers this year. Vodafone has 1.64m subscribers while Cellnet has 1.56m.

Cellnet's new services will include an "electronic assistant" with the ability to locate subscribers anywhere and at any time, while screening out unwanted calls.

The company is also examining better ways of screening potential customers for creditworthiness. Senior executives believe potential subscribers are being turned down because existing credit-checking methods are too insensitive.

The first stages of the investment programme were initiated this week with the award of contracts, worth £28.5m in total, to Motorola of the US and Ericsson of Sweden. Ericsson's contract, worth £22m, is for advanced switching equipment needed to support flexible billing and advanced network management.

The Motorola contract is worth £6.5m and will provide increased depth of coverage in southern England.

At the conclusion of the programme, Cellnet will have added 1,400 base stations – the units that receive and transmit transmissions from mobile phones – to its existing 1056-strong network.

BUSINESS AND THE ENVIRONMENT

Plastics waste strikes oil

Michael Lindemann on German rivalries in the recycling sector

The waste recycling plant in the Ruhr town of Bottrop does not exactly suggest new technology. Situated on waste ground in a particularly desolate corner of the Ruhr conurbation, the mass of twisted pipes and levers seems more an echo of the past than a portent of the future.

Yet for almost a year the plant has been converting assorted plastics waste into oil which is blended in a refinery next door to produce high-quality oil-based products.

The plant was first used during the latter stages of the second world war when scientists tried desperately to convert coal into petrol, hence the name Kohleöl-Anlage, or coal-oil plant. They succeeded – but the process was prohibitively expensive and produced minimal quantities. In the early 1970s, during the oil crisis, scientists tried again but costs remained too high.

Since last April the Bottrop plant has been using not coal but 40,000 tonnes of synthetic materials waste collected by the Duales System Deutschland (DSD), the company set up to create the Kreislaufwirtschaft or so-called full-circle economy where as much waste as possible is recycled into raw materials.

The synthetic waste – from plastic bags, yoghurt cartons and computer casings – is mixed with heavier oil residues before water is added. In the process (hydrogenation) the chemical compounds are broken up to produce a synthetic oil which is piped to the next-door refinery.

To turn waste into oil costs about DM800 (£336) per tonne – considerably more than the expense of burning it. However, managers at the Bottrop plant believe they can reduce costs to around DM450 if they can increase the capacity. It seems they are not alone.

BASF, one of Germany's biggest chemicals makers, has built a similar plant at its headquarters in Ludwigshafen. Instead of adding water, it heats the waste to create a mixture of liquids and gases which are then distilled to produce a variety of raw materials such as butane, which can be used to manufacture other chemical products. One kilogram of waste yields 900g of reusable raw materials, the company says.

"The beauty of this process is that everything that comes out can be immediately reused at the plant in Ludwigshafen. We do not have to transport it anywhere," says BASF.

But the butane and other products distilled are still more expensive than if BASF bought them straight from the refinery.

The company has so far spent DM40m to build a plant that converts 15,000 tonnes of waste. Although it has so far made no money, the law in Germany says synthetic waste must be collected and BASF wants to become one of the main recycling sites.

It has offered to build a plant that can handle 300,000 tonnes of waste – if it receives a subsidy of up to DM350 per tonne from the DSD.

The DSD, however, is not inclined to give BASF all the waste it wants. The company estimates that it will have about 530,000 tonnes of synthetic waste to dispose of this year and is hoping to share this out among up to five different plants. "For the sake of competition we want to ensure that there are as many players out there as possible," a DSD spokeswoman said.

Klöckner Werke, the steel plant in the northern German city of Bremen, is likely to receive around 80,000 tonnes of waste which it will use to make steel.

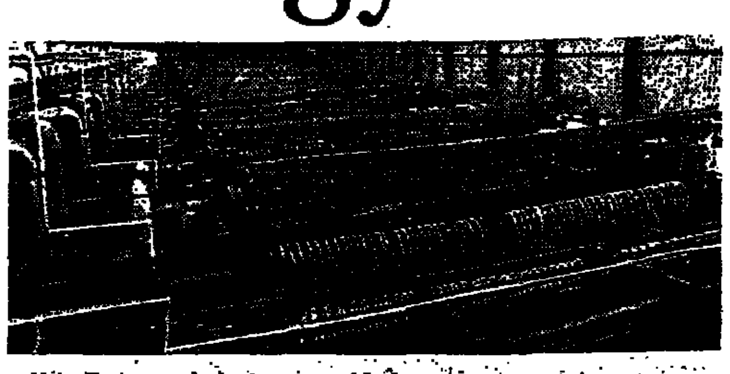
RWE, Germany's biggest electricity producer, has two plants at which it hopes to make synthetic gases and oils from the plastics collected by DSD. BASF is likely to receive only 150,000 tonnes, or half of what it pitched for.

DKR, the DSD off-shoot responsible for recycling synthetic wastes, is negotiating with the companies that have the available technology.

Who gets exactly how much is still unclear. However, the fact that several new recycling plants have come on line over the past year suggests competition to recycle synthetic waste is hotting up.

The chlorine industry is out to prove that the benefits outweigh the disadvantages, writes **Haig Simonian**

Economy v ecology



What do an Ecuadorian tree frog, poison gas and compact discs have in common? The answer is chlorine, one of the most widely used chemicals and the target of environmental activism.

Greenpeace, the environmental pressure group, is leading the campaign for a "chlorine-free" world. It stresses that chlorine is a toxic gas, which has been implicated in some of the world's biggest chemicals disasters, such as at Seveso in Italy and Bhopal in India.

So aggressive has the attack on chlorine become that leading producers, headed by Dow, the world's biggest manufacturer, Solvay, Bayer and ICI, are mounting an unprecedented public relations drive to trumpet chlorine's merits.

The industry fears a confrontation similar to that over the use of ozone-depleting chlorofluorocarbons (CFCs). Manufacturers feel they lost touch with public opinion in trying to defend products that had become widely criticised.

At a conference in Brussels last week, Euro Chlor, the federation of leading manufacturers and users, acknowledged that the industry had been slow over CFCs. Delegates agreed that companies should not make the same mistakes again.

The manufacturers argue that the point is to find a balance between ecology and economy. The environmentalists counter that chemicals companies err too much on the side of economy and that people's safety has to be the priority.

The companies and Greenpeace are aiming their lobbying at environmental regulators and, to a lesser extent, the public. While Greenpeace believes the industry will be compelled to adopt changes only through regulation, the chemical companies want to persuade regulators that voluntary agreements are adequate.

Greenpeace appears to have the upper hand in terms of winning over public opinion. Although it lacks the financial muscle of the chemical giants, its campaigning stunts have won wide publicity.

Regulators are an easier target audience for the industry than the public. Chemicals plants are big, dirty and widely seen as dangerous. Attempts by managements to present a human face have been undermined by accidents, while claims of environmental concern are usually met with cynicism.

Many chemicals executives are poor communicators. "They may be great scientists, but there are relatively few who perform well in front of a non-specialised audience," admitted one of the conference organisers in Brussels. Hence the focus on regulators rather than a broader charm campaign.

The drive to defend chlorine will be difficult. Although it is widely used, few chemicals have so notorious a record.

Most familiar for its use in water treatment, it is also an important intermediary in making thousands of other compounds. The best-known is polyvinylchloride (PVC), the second most produced polymer after polyethylene. Chlorine is also an essential intermediary in a range of sophisticated plastics used in products as diverse as car bumpers, pipes and compact discs. It also features in many pesticides, bleaches and pharmaceuticals.

But chlorine has an unenviable record. First world war veterans recall the nightmare of the poisonous yellowy-green chlorine clinging to their trenches. As a toxic gas heavier than air, even casual exposure to chlorine is undesirable. Visitors to electrolysis plants where chlorine is made are issued with breathing apparatus for emergencies.

In addition to concern about the gas itself, there is a problem with emissions in chlorine production. Most chlorine in Europe is still produced by mercury electrolysis, which involves passing an electric current through brine. The process releases large amounts of chlorine, but also small quantities of highly toxic mercury, emitted as waste. Although mercury emissions are 85 per cent below the levels of 15 years ago and the mercury method is being replaced by non-polluting membrane technology, mercury electrolysis still accounts for about 70 per cent of western Europe's chlorine output.

Problems with by-products are not new. In the late 1970s, chemicals companies were put under the environmental microscope after reports of dangers in polychlorinated biphenyls (PCBs) – chlorine by-products which were banned after being found accumulating in the food chain. The pesticide DDT is another chlorine-related compound that has become infamous and is no longer used in the developed world.

The issue of emissions has become particularly sensitive ahead of this year's Fourth North Sea Conference in Denmark in June. Pollutants are likely to draw sharp criticism from senior delegates from European countries bordering the sea.

Chlorine is also implicated in cancer. Burning chlorine-containing products, such as PVC, at certain temperatures releases dioxins, a family of 210 chemical compounds, 17 of which are regarded as highly toxic. The worst are alleged to be carcinogenic and even to cause birth defects. Although scientific opinion is still divided, the US Environmental Protection Agency is reviewing the potential risks.

The industry argues that processes are now safer and that by-products that have been proved to be hazardous have been withdrawn. With so much against it, chlorine manufacturers are eager to publicise the benefits of their product.

Hence the Ecuadorian tree frog. It is one of the few animals which produces chlorine naturally. At a press conference next week, ICI's chlorine subsidiary will use it to portray the natural and healthy aspects of chlorine.

The frog, which produces a chlorine compound as a pain killer, is part of a campaign to stress that society depends on chlorine. "Many end products which use chlorine in the manufacturing process don't contain any chlorine at all," says René Scheffers, chairman of Akzo Nobel's Base Chemicals division.

The industry wants to drive home the message that the benefits of chlorine outweigh the risks. About 296,000 jobs (out of a total of around 2m) in European chemicals depend on chlorine, according to Baron Daniel Jansen, chairman of the executive committee of Solvay. "With sales of about DM300bn (£126bn), about half the European chemicals industry depends on chlorine," he says.

Alternatives exist in many cases, but are not always as effective, the industry claims: ozone can be used to disinfect water, but its protection is more limited. Alternative intermediaries exist to make complex polymers, but they often present environmental risks that are as great, if not greater, than chlorine. And burning chlorine-containing products does not release dioxins if the temperature is high enough and the incinerator is fitted with adequate filters.

The argument about mercury electrolysis highlights the industry's cost-benefit strategy. Euro Chlor estimates that about 12 tonnes of mercury a year are emitted through chlorine electrolysis. That compares with around 20,000 tonnes a year occurring naturally, says Barrie Gilliat, the chairman of Euro Chlor's technical committee. By contrast, it would cost about DM10bn to replace mercury electrolysis with membrane technology. "Does it make any sense to spend DM10bn to eliminate 12 tonnes of mercury when nature and the rest of the world make 19,988," he asks.

Dieter Becher, a board member of Bayer and chairman of the German Chemical Federation's environmental committee, says the industry recognises the need to act responsibly. Processes have been eliminated in cases of documented environmental risk, he says. He believes supervision should be through voluntary agreements, not regulation.

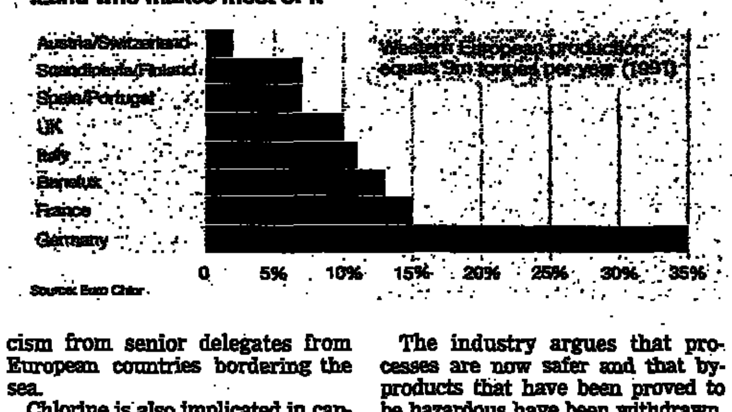
The industry has proposed four agreements "for a balanced process between economy and ecology". These include an accord to cut mercury output and better recycling for chlorinated solvents, such as dry-cleaning fluid, and plastics like PVC, which consumes a third of Europe's annual chlorine output.

Critics remain unconvinced. Bob Edwards, in charge of Greenpeace UK's chlorine-free campaign, says: "The only real way industry will move is under regulatory pressure. This has been proved over and over again. When there is pressure to reduce outputs, industry will always find alternatives."

How European industry uses chlorine

Per cent	1989	1990	1991	1992	1993	
Elementary	7	5	4	3	2	Paper bleaching
Solvents	5	5	5	6	5	Dry-cleaning
Other usages including processing	19	18	16	18	17	Industrial processes Silicone
Polymers	56	57	59	59	59	PVC Polycarbonates Polyurethanes
Inorganics	13	15	16	17	17	Flocculants Disinfectants

...and who makes most of it



Source: Euro Chlor

ARTS

Television/**Christopher Dunkley**

Why the BBC should be bourgeois

Most of those working in broadcasting live in big cities and in Britain the most important centre by far is London. Perhaps that is why so many broadcasters honestly believe, as they keep telling us, that "Britain is now a multicultural society", and that black and Asian people are desperately under-represented on television. The truth is that Britain is a monocultural society which has recently experienced the development of a few multicultural cities, notably London. In some London boroughs black and Asian people now make up 20 per cent of the population, but in Britain as a whole the figure is only about six per cent. In most parts of Britain there are no black or Asian people, but considering what a small proportion of the population they form they have been wonderfully, and hearteningly, successful in television.

From Trevor McDonald and Moira Stewart to Lenny Henry and Gary Wilmot, from Art Malik and Saeed Jaffrey to Stuart Hall and Shyama Perera they have flourished in all programme divisions. Black and Asian people are now dominant in many televised sports including boxing and athletics. Bad as England's reputation in Test cricket may be today, it would be much worse without Lewis, de Freitas and Malcolm. Black music and black street fashion are major elements in pop music and youth programme strands. "African Americans" such as Prince and Whitney Houston add to Britain's own familiar black role models in this sphere. Even areas such as grand opera and rugby union which used to be seen as white redoubts have changed: Jessye Norman and Willard White are frequently seen singing on screen, and it was impossible to watch England's splendid victory at Twickenham over France on BBC1 without noticing the central roles played by Ubogu and Guscott.

And yet, according to a leak in this week's Sunday Times under the startling headline "Birt tells the BBC: we're boring, biased and bourgeois", the long awaited Programme Strategy Review to be announced by the BBC later today will report black and Asian viewers saying that they feel "excluded". Consequently the BBC will undertake a long term strategy to woo ethnic minorities. According to this leak (which could, of course, have the emphasis wrong, though it quotes verbatim so this seems unlikely) children dislike the programmes the BBC makes for them – "old fashioned and worthy, and more in tune with their parents' idea of traditional children's programmes" – and there is hostility in Scotland, Northern Ireland and Wales to the BBC's London bias. So efforts will be made to attract young people and "those outside the home counties". We are told that the report notes the success (meaning high ratings, presumably) of ITV's mid evening drama series, and says that BBC music and arts programmes will become "more populist in tone".

It sounds like the antithesis of Reithianism but very much in line with ideas which have spread like wildfire from the US, where contempt for the culture of "dead white European males" is now widespread, and from Britain's own media-studies centres, which say that the time has come to abandon elitist ideas of "excellence".

When broadcasting began in Britain, within living memory, there was a broad consensus among educated people as to what constituted excellence. The Reithian notion was that if you continually aimed your programmes slightly above the expectations of the audience you would draw people up to greater things: those who started out listening to the Light Programme would graduate to the Home Service; those who began by thinking the Home was their natural niche would be led up to the Third Programme. No doubt it was somewhat patronising and the catalogue of excellence both rigid and exclusive.

However, British broadcasting now seems to be scampering faster and faster in the opposite direction, down the road marked "relativism" towards the place where the assertion that anything is "better" than anything else – that Bach was a better composer than Gary Glitter – is considered supercilious and unacceptable. The idea now seems to be to aim well below the expectations of the more demanding members of the audience in order to maximise ratings. Assuming The Sunday Times has it right, the central message of today's report would seem to be that the BBC is still "super-serving" the southern middle classes. Yet that, surely, is precisely what it should be doing. Britain today is a predominantly middle-class society, and the population is more densely concentrated in southern England than anywhere else.

This demographic argument (leaving aside the appalling notion of starting even more separatist programmes such as *The Real McCoy*, providing enclaves for black people in the manner of South African apartheid) sounds almost absurd, but it is symbolic. So far the BBC is still making adaptations from George Eliot and Charles Dickens (though it is significant that the current adaptation of Edith Wharton's *The Buccaneers* is regarded by the BBC as being on a par with *Middlemarch* and *Martin Chuzzlewit*: Episode 2 confirmed that it most certainly is not). However, the middle-class intelligentsia can see the writing on the wall: they will not miss the line that connects *Anderson Country* on Radio 4 – which they see as an attempt to pre-empt Talk Radio UK in winning the C, D and E socio-economic groups over to speech radio – to today's report.

In Britain we already have Channel 4 with its statutory obligation to serve minorities and make experimental programmes. We have ITV which, thanks to a dreadful piece of legislation in the Thatcher era, now concentrates on the maximisation of ratings by way of game shows, soap operas and formula drama, most of which are instantly forgettable. This being so, the most vital function for the BBC is not to provide imitations but to do what it has always done better than any other broadcaster in the world: "super serve" the intelligent middle-class viewer and listener.

Doubtless we shall be told that this is precisely what they are doing and will continue to do, and that the recommendations following the strategy review will be merely details around the edges. But we have already noted the increase in tabloid television, seen the BBC's willingness to go ambulance chasing, noticed the change in children's programmes from children imitating broadcasters to broadcasters imitating children, and watched glumly as the BBC tried to match ITV's drama ratings by taking Inspector Morse to France for *A Year In Provence*. Now a growing body of middle-class viewers and listeners clearly feels that while it wants to keep faith with the BBC, the converse is much less certain.

Theatre/**Alastair Macaulay**

The Duchess of Malfi

I have walked around the ruins of the real Duchess of (A)Malfi's palace. Trees and wild flowers grow there now, and the views of the Mediterranean all around the promontory beneath are spectacular. Further down the hillside – astonishing to say – is the hotel where Ibsen finished *A Doll's House* and Wagner worked on *Parsifal*. Neither of them would have known Webster's play (c.1613) about the duchess (Giovanna of Aragon in life though unnamed in the play), for it only returned to repertory in 1892. Today, however, we can expect to see a major revival of it about every five years. But when, I wonder, will we ever see Lope de Vega's play on the same subject (*El Mayordomo de la Duquesa de Amalfi*), which Webster may have read?

Our latest interpreter of Webster's Duchess is Juliet Stevenson, in a Greenwich Theatre production that is said to be aimed, in due course, at the West End. As always, she manages at the same time to be wholly natural and yet also to be heartcatchingly febrile. She is never locked into one single emotion, but keeps revealing the gripping interplay of contrasting thoughts and feelings. This is most remarkable in her first big scene, when, alone with Antonio, she takes the initiative to woo him and to propose marriage. Here, by turns, she is desirous, hesitant, humorous, eager, imperious, and embarrassed by her own power. We have already seen the canny but watchful way she has of physically petting her monstrously possessive twin brother Ferdinand, and how she must kneel to kiss the hand of her senior brother, the Cardinal. Thus the ease she finds with Antonio – at last a man she can command, to his and her delight – becomes all the more absorbing.

But though this Duchess wields power without strain, she has no especial distinction of spirit. Her words refer often to princely rank, and reveal the high refinement of her mind; yet her manner, of action or of speech, reflects no such consciousness. She brands no lines onto our memory, and she never again shows such energy as in that early scene.

Simon Russell Beale, who plays her quasi-incestuous twin, Ferdinand, sometimes does utter lines with memorable power – e.g. the coolly scornful "Damn her", and the blithely magnanimous "You both died in the field" to the brother and henchman he has just murdered in his madness. He brings his role a dark, mordant, life-hating cruelty: a kind of tragic version of Rowan Atkinson's Blackadder. Robert Glenister, as the henchman Bosola (the play's most complex role), has a certain ferrety meanness. But Bosola is an intellectual. Though he is trying to climb the social ladder by means fair or foul, he shows a clear moral discernment of good and evil, and the temperament to which he reverts is always melancholy: all of which was absent from Glenister's restless, rapid, tight interpretation. As for the Cardinal, Robert Demeger demotes him to the lower middle class. And when he speaks for the first time about Hell – in which this character has so carefully earnt a place – his casual manner makes the audience laugh.

Some of the smaller roles have good moments. I like the integrity of Joe Dixon's Antonio, the intelligence and glamour of Melanie Jessop's Julia, the personable loyalty of Ashley Russell's Delio. But there are several false or inconsistent notes, like Julia's melodramatic gesture in dying and Delio's jollity in the echo scene. Why does the Duchess turn to Antonio so publicly when we know she wishes their marriage to remain unsuspected? Why does Antonio shout at the top of his voice when he is secretly present in her bedchamber? And so on.

The answers lie with the director, Philip Franks. Well, he keeps the play's narrative absolutely taut. He charts everyone's stance precisely. He achieves a variation of tone throughout. But too many lines are gabbled or mumbled, and too many scenes are lively without being actually very interesting. Though everyone plays to each other very correctly, it is hard really to believe that these characters all inhabit the same world. Various small cuts (including several minor roles) reduce the play to about three hours and simplify the plot, but they also narrow the scale of the drama. Tom Piper's Elizabethan/Jacobean designs are only superficially attractive; they provide a general sense of time and place, but do little to heighten the play's mood or clarify the production's intentions. By no means a dull evening, it is a surprisingly lightweight one. This *Duchess of Malfi* is a revenge tragedy without stature and without terror.

Greenwich Theatre until March 18.

Alastair Muir

Joe Dixon, Juliet Stevenson and Jane Galloway in Philip Franks' new production

Music in London/**David Murray**

Tippett and Vengerov

Sir Michael Tippett's 90th birthday celebrations continue in dense profusion. Beyond the London Symphony series of homages and the Coliseum's fine *King Priam* revival (last performance Friday next), there is an overflowing fringe as well.

At lunchtime on Thursday, for example, there was a (free) Barbican concert by the Guildhall School's excellent "symphonic wind ensemble" under Peter Gane. "Mosaic", the first movement of Tippett's Concerto for Orchestra – just post-*Priam*, and very similar in style – whetted one's appetite for the complete work tonight. A "new" Tippett was stranger. *Triumph*, a concert-band collation of snippets from his oratorio *The Mask of Time* (due at the Barbican on Sunday week), proved in the small print of the programme-notes to have been "prepared by Meirion Bowen under the composer's direction".

The snippets, many quite substantial, have been partly re-scored and linked by partly new material – by whom exactly, only Bowen and Tippett know. As Tippett grows ever more ancient and venerable, the Tippett sub-industry grows more and more prolific. Though the result here offered colourful, noisy reminders of the *Mask*, it was doubtful whether it did anything more. Robert Saxton's new *Ring, Time* (as in "the only pretty . . .") was unambiguously a fresh piece, with much of the soft clotted-note radiance that has been a feature of recent Saxton, and a dance section with quasi-Elizabethan echoes – forward- and backward-looking at once, as is his wont.

On Sunday we had Colin Davis, the London Symphony and three of their principal players in Tippett's richly fanciful Triple Concerto of 1979. The solo violin, viola and cello were Alexander Barantschik, Edward Vanderspar and Moray Welsh, all of them characterful and passionate in their several big cadenzas. They helped enormously to suggest an overall direction for the whole work. The connections between the teeming ideas, scored for *farouche* effects, remain pretty intuitive, but as usual with Tippett sound potently convincing while they go on; there were ravishing passages aplenty in this devoted reading. It is all desperately English, and was therefore nicely complemented by Davis's strapping, lusty, brass-heavy account of Elgar's First Symphony.

★

On the same day, the violinist-phenomenon Maxim Vengerov (Siberian-born, not yet 21) made another triumphant appearance at the Wigmore Hall with Itamar Golan, whose pugnaciously brilliant insights make it impossible to think of him as a mere "accompanist". He seems a heaven-sent partner for young Vengerov, who tends to apologise for his staggering virtuosity – always kept under restraint until the second halves of his programmes, when he unleashes his fabulous gifts – by deeply respectful, selfless Classical playing in his first halves.

Golan challenges him to do more than that. Here the little Mozart Sonata K.305, for piano "with violin accompaniment", got elegantly forward, pointed playing, and Beethoven's "Spring" Sonata fairly crackled with nervy life. We still had to wait until after the interval for Vengerov to seize the bit between his teeth, tearing brilliantly into the Prokofiev Sonata in D (originally for an innocent flute: better thus, I think, but one is not going to argue with Vengerov) and ten of Shostakovich's wry, fantastical op. 34 piano-Preludes in tingling transcriptions by Dmitri Tsyganov.

Their encores were of course breathtaking, and sometimes extravagantly funny. In such stuff, Vengerov and Golan are peerless. Some day soon, Vengerov's personal grip on the Classical repertoire will live up to his exuberant standards in frank violin-music, and then he will be memorable indeed. Meanwhile, he is extraordinary anyway.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

:ONCERTS
...et Concertgebouw Tel: (020) 671 345
● Royal Concertgebouw Orchestra: ...ith soprano Barbara Hendricks. ...dré Previn conducts Harbison, ...avin, Barber and Copland; 8.15 ...n; Feb 18, 19 (2.15 pm)
...PERA/BALLET
...at Muziektheater Tel: (020) 551 ...22
● Mazeppa: by Tchaikovsky. A ...etherlands Opera production ...nducted by Hartmut Haenchen and ...ected by Richard Jones.; 7.30 ...n; Feb 21

BERLIN

...ERA/BALLET
...utsche Oper Tel: (030) 3 4192 49
Das Rheingold: by Wagner. ...nductor Horst Stein, production Götz Friedrich; 7.30 pm; Feb 16,
Die Meistersinger von Nürnberg: ...Vagner. Conducted by Rafael ...beck de Burgos, production by ...z Friedrich; 5 pm; Feb 19
● Ein Maskenball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30 pm; Feb 16
● Faust: by Gounod. Conducted by Lawrence Foster/Heinrich Hollreiser/ Jiří Kout, production by Jean-Pierre Ponnelle; 7 pm; Feb 15, 17
● Oedipus: by Rihm. conducted by Peter Keuschnig, produced by Götz Friedrich; 7 pm; Feb 21 (7.30 pm)

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Sinfonietta with pianist Stephen Kovacevich and soprano Faye Robinson to play Beethoven and Tippett's, 'Symphony No 3'; 7.30 pm; Feb 17
● Sorry I Forgot Valentine's Day: If you missed Valentines day, Paul Wynne Griffiths conducts the London Concert Orchestra and pianist Sarah Beth Briggs to play another evening of romantic classics; 7.30 pm; Feb 18
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra in a world programme that includes a world premiere of Tippett's, 'The Rose Lake'; 7.30 pm; Feb 19
Festival Hall Tel: (0171) 928 8800
● Novosibirsk Philharmonic Orchestra: with pianist Paul Crossley and bassist Anatoli Safiulin. Arnold Katz conducts Prokofiev, Shostakovich and Rachmaninov; 7.30 pm; Feb 20
GALLERIES
Tate Tel: (0171) 887 8000
● Willem de Kooning: a major exhibition featuring over 70 paintings drawn from private and public collections worldwide; from Feb 16 to May 7
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday; 7.30 pm; Feb 17
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30 pm; Feb 16
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss; 7.30 pm; Feb 15, 18
Royal Opera House Tel: (0171) 340 4000
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30 pm; Feb 15, 20
● La Bohème: by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Maria McLaughlin/ Judith Howarth as Musetta; 7.30 pm; Feb 16, 21
● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten 'mini festival' at the Royal Opera; 7.30 pm; Feb 17
THEATRE
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15 pm; Feb 16, 17, 18 (2 pm), 20
Shaftesbury Theatre Tel: (0171) 379 5399
● The Three Lives of Lucie Cabrol: adapted from John Berger by Mark Wheatley and Simon McBurney, who also directs. Theatre de Complicite presents this violent love story; 7.30 pm; to Feb 25 (Not Sun)

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
● Tetzlaff plays Beethoven: Esa-Pekka Salonen conducts The Los Angeles Philharmonic with violinist Christian Tetzlaff to play Beethoven, Schoenberg and Sibelius; 8 pm; Feb 15, 17, 18 (2.30 pm), 19 (2.30 pm)

NEW YORK

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zeffirelli, conductor Christian Badea; 8 pm; Feb 16
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton; 8 pm; Feb 18 (1.30 pm)
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8 pm; Feb 17
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco.; 8 pm; Feb 21
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8 pm; Feb 15, 18, 20

PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Orchestra of the Champs Elysées: with soprano Soile Isokoski, alto Birgit Remmert and tenor James Taylor plays Beethoven under the direction of Phillipe Herreweghe; 8.30 pm; Feb 15
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Myung-Whun Chung: conducts the orchestra and choir of the Paris National Opera to play Beethoven; 8 pm; Feb 21
GALLERIES
Galerie Schmit Tel: (1) 42 60 36 36
● From Delacroix to Matisse: exhibition including the works of Delacroix, Matisse, Picasso and Degas; to Apr 13
Georges-Pompidou Tel: (1) 42 77 12 33
● Kurt Schwitters: exhibition of works by the German Dadaist; to Feb 20
Musée Cernuschi Tel: (1) 45 63 50 75
● Japan, Tastes and Tranquility: The Japanese Tea Ceremony: the historical and philosophical development of the Japanese ceremony; to May 14 (Not Sun)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● King Arthur: music by Purcell. A William Christie and Graham Vick production; to Feb 19
Opéra Comique Tel: (1) 42 96 12 20
● Lakmé: by Delibes. Conducted by Frédéric Chaslin and produced by Gilbert Blin; 7.30 pm; to Feb 18
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30 pm; Feb 15, 18, 20
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera;7.30 pm; Feb 17

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Choral Arts Society of Washington: Norman Scribner conducts Menotti and Williams' 'Dona Nobis Pacem'; 8.30 pm; Feb 19
● Royal Philharmonic Orchestra: Conductor Yuri Temirkanov with pianist Eliso Virsaladze plays Britten, Prokofiev and Stravinsky; 3 pm; Feb 19
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman, Roman Terleckyj directs a Zack Brown production; 8 pm; Feb 15
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene; 8 pm; Feb 16, 19 (2 pm)

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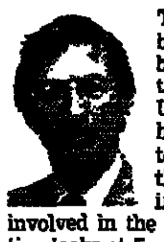
Financial Times Business Tonight
Midnight
Financial Times Business Tonight

Ian Davidson

Shifting strategy for aid

EU priorities are now eastern Europe and the Maghreb



The argument between members of the European Union over how much aid to earmark for the 70 developing countries involved in the Lomé Convention looks at first sight like the usual uninspiring spectacle of a bicker about money. It is, of course – but it may also be an indication that the Union is at the point of a shift away from its traditional associates in the developing world, towards newer relationships closer to home.

First, some facts. For the current five-year programme, the EU member states have put up Ecu10.9bn (£8.65bn) in aid. For the next five-year programme, the European Commission proposed a 30 per cent increase to keep pace with inflation, to a new total of Ecu14.3bn. But last week, Germany, the UK and others blocked the proposal on the grounds of cost; some even intimated that they wanted to contribute less this time, not more. The Council of Ministers will make another attempt at settling the matter today, because it has a formal meeting with the Lomé countries tomorrow.

Each government gives a different reason for not wanting to put so much into the pot. The Germans say they have reached their financial limit with the help they are giving to eastern Europe; the British say they too are stretched for resources, and that extra Lomé spending would squeeze out higher-quality bilateral British aid projects; and so on.

Undoubtedly, any European government making an effort to curb its domestic budget deficit to achieve the criteria for economic and monetary union set out in the Maastricht treaty, is bound to be in a budget squeeze. Constraints on aid are general throughout the industrial world, as OECD figures show.

In principle, EU governments should have a special commitment to the Lomé programme, because this is part of the European heritage which goes back to the founding Treaty of Rome. If they are digging their heels in, has this anything to do with the quality of the programme itself? It attracts criticism because it is not included in the EU budget and is therefore beyond parliamentary scrutiny. But in terms of effectiveness, some experts claim that it is comparable with other multilateral aid programmes: not as good as the best, less good than British bilateral aid, but better than Italian bilateral aid.

If the programme has induced fatigue among European donor governments, is it partly because a majority of Lomé spending goes to sub-Saharan Africa? This is where there is so much poverty and so much need; and some European governments feel, or at least should feel, a special responsibility towards their former colonies. Unfortunately, the results of aid in Africa remain deeply depressing, either because the basic economic and social conditions are so terrible and intractable, or more often because so many deplorable African governments behave in ways that make them much worse.

The real reason behind the shift is neither budget squeeze nor donor fatigue

Cumulatively, these factors offer a compelling explanation why some EU member states have been digging in their heels over funding aid to the Lomé countries. Yet those same governments have been rapidly expanding other forms of development aid spending, on a scale that will soon overtake the Lomé programme.

Since 1990, foreign development and assistance spending in the European Union budget (that is, on top of the Lomé budget) has risen from Ecu2bn to Ecu4.8bn in 1995. According to projections agreed at the Edinburgh summit two years ago, it will reach a ceiling of Ecu6.2bn in 1999. Over the coming five-year period, total foreign aid spending in the EU budget is scheduled to be over Ecu27bn – nearly twice the amount originally proposed by the Commission for the Lomé fund.

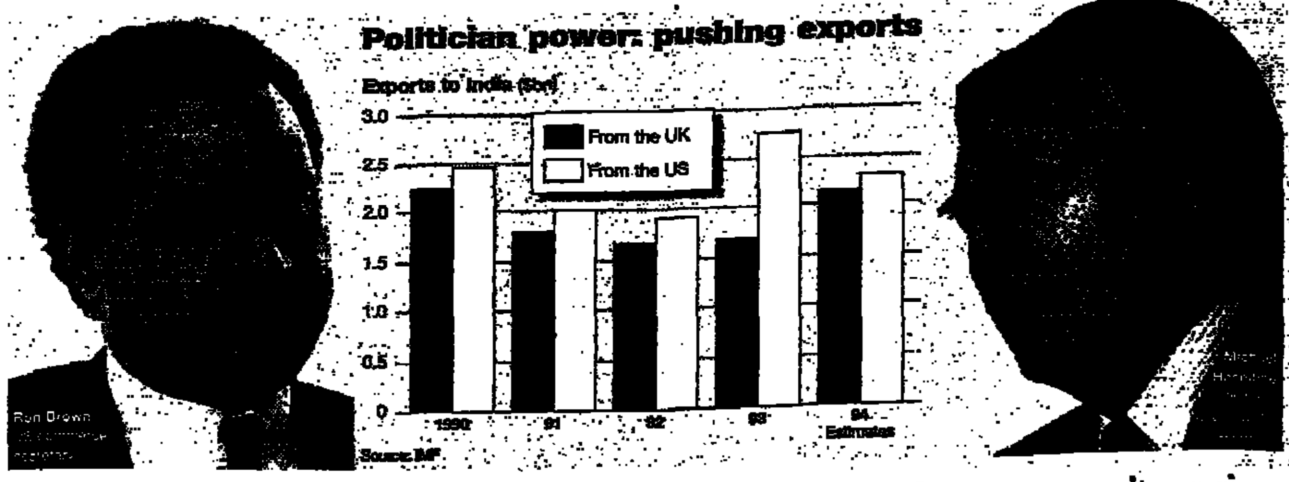
About a quarter is going on food or humanitarian aid and about 12 per cent to Asia or Latin America. But the big programmes are eastern Europe and Russia (about a third), with another 10 per cent going to the Mediterranean.

The real reason behind the shift away from the Lomé countries, it seems, is neither budget squeeze nor donor fatigue, but a change in strategic objectives. The new priorities may never have been explicitly spelled out and agreed by the member governments. But it is hard to resist the conclusion that they are the reflection of the priorities we can observe in practice.

In reality the European Union is starting to respond to two new strategic imperatives: eastern Europe and the Maghreb. Eastern Europe is a German imperative, because Germany is at the eastern frontier of the Union, and neither Germany nor its European partners can contemplate the idea of instability in eastern Europe. The civil war in Algeria guarantees that the Maghreb will be an imperative for France, as well as for its European neighbours on the Mediterranean.

When President François Mitterrand of France floated his proposal that the EU should host an international conference on Algeria, the Algerian government was enraged and the French government dismissed the idea. Perhaps he was just making mischief – as usual. But maybe he was making a serious point: that the dangers inherent in the Algerian war are too great for France alone to handle.

Either way, it seems clear that events are compelling the EU to take more seriously the risks and responsibilities of being an increasingly important regional power. Development aid to the Lomé countries is a political and moral duty. But a serious policy of support and influence towards the Union's "near abroad" in eastern Europe and the Mediterranean is becoming an unavoidable strategic necessity.



The US and UK governments are trying to help companies win business in India, say Nancy Dunne and Michael Cassell

Big brother lends a hand

Mr Michael Heseltine, the UK trade and industry secretary who is visiting India this week, follows on the heels of Mr Ron Brown, the US commerce secretary. Each is leading a drive to win international orders for his country's companies – Mr Brown flew home last month claiming that his trip had all but sewn up $7bn of Indian business for the US.

The use of government influence and ministerial visits to win foreign business is increasingly common in Latin America, the Middle East and Asia – especially in India's big but difficult market of 900m people.

Both the US and the UK dedicate substantial resources to the strategy. Of a total annual export promotion budget of nearly $3.5bn (which includes export subsidies, finance and insurance), the US spends some $300m on information, advice and "government-to-government advocacy" for US business. The UK government plans to spend about £60m ($93m) annually on export promotion over the next three years. The two countries are convinced that it is often only governments that can break through the bureaucratic barricades impeding trade and investment.

Export promotion has become the defining issue of Mr Brown's department and a priority for the Clinton administration. "Commercial engagement" is at the heart of US foreign policy in the post cold war period.

Mr Heseltine – enthusiastically backed by Mr John Major, UK prime minister – heads a trade and industry department rededicated since his appointment in 1992 to improving Britain's competitiveness and to helping it win business overseas.

India has become a prime target for US and UK trade offensives. The potential market is very large, the economy has recently been liberalised, and the country has an educated, English-speaking middle class. Indian politicians and businessmen from Bombay to Calcutta are accustomed to receiving groups of optimistic US and UK businessmen. The visitors are looking for Indian partners with whom to bid for work in everything from power stations to telecommunications and financial services.

Little diplomatic effort is spared by either country. Since Mr Major visited India in 1993, Mr Douglas Hurd, UK foreign secretary, has used the royal yacht Britannia as a platform to promote companies during a British week in Bombay; and Mr Richard Needham, the trade minister, and 85 business executives went on chartered flight of Concorde, the supersonic aircraft, to make a tour of Indian cities.

On the US side, Mr Brown, accompanied by 25 business leaders, began his recent trip with an inspired piece of theatre. He visited the site of Mahatma Gandhi's cremation on the birthday of Gandhi's most famous disciple: Martin Luther King. In case anybody missed the message that the US and India were emotionally linked, he pointed out that both countries had also been colonies of Britain.

Such competitive tactics have been noted by the UK. "The US has an increasingly aggressive export strategy and they ruthlessly use their political muscle," says Mr Needham. "It is not realistic for us to tackle them head on. We have to be more subtle than that... In any case, India is big enough for both of us."

So far – for the US at least – the aggressive tactics seem to be paying off. US companies have landed seven out of eight Indian contracts for big "fast-track" power generation projects; and US West became the first privately operated telecommunications company to invest in Indian telecommunications services.

During Mr Brown's visit last month, Motorola signed three letters of intent to build cellular telephone networks in Calcutta, Bombay and New Delhi. American International Group signed a memorandum of understanding with the Tata conglomerate jointly to enter the Indian market once insurance and financial services are liberalised. Smaller companies also did well.

The US Department of Commerce has identified India as one of 10 so-called "big emerging markets". Each day its new "advocacy centre" tracks the top procurement projects around the world – 30 of which are in India. The department also co-ordinates efforts to speed up the granting of licences and approvals by the Indian bureaucracy. By 2000, the commerce department expects $20bn of new US investment in India and forecasts a rise in US exports to $5bn-$6bn annually, up from $2.3bn last year.

Ministerial visits designed to win foreign business are increasingly common

The British government is watching the US push with interest. But UK ministers are not impressed by US claims that billions of dollars worth of deals have been signed since India launched its liberalisation in 1991.

"It all depends on what signed up means," says Mr Brian Willott, chief executive of the Export Credits Guarantee Department in London, who explains that contracts are not firm until paperwork and financing is all tied up. "I rather suspect this is the beginning of that process as far as the US is concerned and in India the process can be slow."

In the past two years, more than £2bn worth of work has been agreed between UK and Indian companies. Well-known names such as Rolls-Royce, British Gas, Taylor Woodrow and Costain have been joined by much smaller enterprises: while British Gas has signed a deal to bring natural gas to Bombay, Checkpoint Security Services, a small Reading-based company, has signed an agreement to distribute its cheque security products throughout India.

The Department of Trade and Industry says it has 600 Anglo-Indian joint ventures on its books at present and that its database of UK companies doing business in India has risen in two years from 90 to more than 4,000.

Mr Frank Hunt, head of the Indo-British Partnership in the UK, the part of the DTI that co-ordinates government and private sector efforts to identify and exploit business opportunities in India, says that UK standing investment there has risen by £1bn in the past three years, taking the total to £3bn. He estimates that there is another £3bn of investment already in the pipeline.

Developments in the balance of trade, however, are less impressive. After years in which a substantial trade balance persisted in the UK's favour, the two countries are almost level. Final figures for 1994 are expected to show UK exports to India rose by more than £300m to £1.4bn, with India achieving a similar performance. Mr Hunt is confident the figure will soon turn again in Britain's favour.

Despite its own chequered history in India, Britain believes it is politically more acceptable there than the US, which was an ally of Pakistan during the cold war. "Indians value the [UK's] historic ties with India, but they also know we are not back to rebuild the Raj; we are sensitive to Indian history which works to our advantage," says Mr Needham.

Efforts to instil pro-British feelings in the next generation of Indian businessmen are also under way; one plan is to divert to the UK the young Indians who currently choose to go to the US for business education.

Mr Heseltine, pausing briefly in London after returning from a trade visit to Japan and before his expedition to India, rejected the idea that the increasingly global predilection for government-backed trade missions and export promotion campaigns was fashionable but ineffectual.

Government, he believes, is obliged to play an increasingly active role in supporting the national export effort. "Harold Macmillan [the former UK prime minister] got it completely wrong when he said 'exporting is fun'; it's a long, hard grind and those taking part are deadly serious about winning business. All the evidence is that they are succeeding."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

European TV needs end to web of curbs

From Mr Nigel Walmsley.

Sir, Stephen Dorrell, secretary of state for national heritage, may be right that long-term protectionist barriers will not improve the competitiveness of the European film and television industry ("Why quotas inhibit development", February 13). But what can be done to give European media companies a better chance to compete with large US groups armed with massive programme libraries, strong income streams from their home base and a hunger to expand in European markets?

Politicians could begin by disentangling the complex web of ownership restrictions in Europe that fragment our industry and inhibit growth. In the UK, the restrictions in the Broadcasting Act prevent ITV companies from running satellite channels, create an artificial distinction between broadcasting and production and keep the various media – television, radio and newspapers – at arm's length from one another. Elsewhere in Europe media ownership rules vary from country to country.

UK companies need to imitate their US competitors and achieve the critical mass in their home markets necessary to take greater risks in funding new productions, expand their programme libraries and develop new channels and delivery systems. Current regulations work against this.

Mr Dorrell is right that good home produced programmes are more popular than imported ones, but they are also more expensive. If we hold back television in the UK, our production base will become weaker and our vulnerability to imports will grow.

Whereas US producers have little commitment to European production, indigenous European broadcasters have every interest in fostering home grown programmes. The stronger they are in their own home markets, the more they will be able to reinforce that commitment. Allowing home-based companies that invest in the production base to grow is the best way to promote both UK commercial interests and those of UK consumers.

Nigel Walmsley,
chairman,
Carlton UK Television,
101 St Martin's Lane,
London WC2N 4AZ, UK

Political union will follow

From Dr John Murray and Lord Harris of High Cross.

Sir, Your equivocal leader, "UK's role in Europe" (February 10), simply compounds the confusion that Kenneth Clarke, the chancellor, has created. Voters in every independent poll have shown they want parliament to preserve the UK's ability to govern itself, which must mean retaining such financial instruments as exchange and interest rate flexibility.

Mr Clarke's denial that political union is a necessary consequence of monetary union – as you half agree – is both economically naive and politically disingenuous. For once, on this one issue, Sir Edward Heath is undoubtedly right.

But rather more authoritatively, Dr Helmut Schlesinger, when president of the German Bundesbank, proclaimed the predominant European view (December 17 1992) as follows: "Monetary history is not familiar with permanent union without the cover of political union...". He described a currency union as "an indissoluble joint community, which experience shows needs an ongoing commitment in the shape of a comprehensive political union for its continued existence".

Against such an explicit declaration, repeated by European leaders and enshrined in the Maastricht Treaty, Mr Clarke's musings count for nothing. Are we alone in regretting the Financial Times has not given politicians and businessmen a stronger lead?

John Murray,
Vernon Lodge,
St Annes-on-Sea,
Lancashire,
Harris,
Hadley Wood,
Hertfordshire, UK

Share options best means of ensuring commitment

From Sir Owen Green.

Sir, Contrary to your view that they offer little management incentive or inducement to loyalty ("Risk-free option for directors", February 13), I believe that share options are the most worthwhile of all provisions for performance beyond that for which salaries are paid.

As inducements for commitment to the company ("loyalty" cannot be bought), their constrained ability to be encashed, inside a period normally of not less than three nor more than 10 years after grant, makes them superior to any other shorter-term cash payment such as an annual bonus.

As genuine incentives for performance by management as distinct from the individual and, at the same time, marrying with the share price related interests of shareholders, I know of none better.

To casually dismiss the effect of a fall in share price as the mere loss to an employee option holder of a potential profit opportunity, compared with a potential loss by a risk-aware investor, is to misunderstand the reward-related intent of all bonus schemes for the employee whose comparable downside risk could be his very livelihood.

All schemes aimed at measuring and rewarding exceptional performance have flaws and much effort, academic and practical, is devoted to their perfection.

But "the best" can be the enemy of "the good", particularly when the latter is a well-designed, widely available share option scheme. It will not, as in your words, "fail the key test...that the interests of the shareholders and managers should be as closely aligned as possible"; indeed, it will pass that admirable test with high marks.

Owen Green,
Edgehill,
Succombs Hill,
Warlingham,
Surrey CR6 9JG, UK

Privatisation to cut waste

From Zia Rahman, Balázs Váradi and Ferenc Kovács

Sir, Dr B R Orton and Ms D A Vorsatz (Letters, February 8) disparage your criticism of the slow-down in Hungarian privatisation, especially in the energy sector. Energy wastage is clearly one of the least desired legacies of the old system. Orton and Vorsatz hold that it is the new government's job to set this right, and if this means delaying privatisation, so be it.

We think they are utterly mistaken. One of the main reasons why the government is dragging its feet is for fear of the political repercussions: privatisation would imply a further rise in utility prices if power generation is to be attractive to investors. Abandoning price subsidies would effect more economical use of energy. Nothing will discourage waste more than higher prices. For this reason, anyone who wants to see less energy wasted must call for privatisation without delay.

Zia Rahman,
Balázs Váradi,
doctoral candidates,
Department of Economics,
Ferenc Kovács,
M.P.P.M. candidate,
School of Management,
Yale University,
Connecticut 06520-1972,
US

A bigger incentive, surely

From Mr Aurian de Maupeou.

Sir, Surely Stefan Tangermann and Tim Josling put it upside down when writing in their article, "Opportunity to reform the CAP" (February 9), "...with lower subsidies for the products, the incentive to over-produce is reduced".

If these gentlemen were paid less per page published, would they not immediately increase either the number of reports, or the number of pages per report? Or both?

Aurian de Maupeou,
2 Bishops Close,
Chiswick, London W4 4JA, UK

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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Future of the CIS

The Bolsheviks attacked the Tsarist empire as "the prison-house of nations". Then they set up their own harsher and more centralised version and called it the Soviet Union. Few tears were shed when it disintegrated in December 1991.

But its demise left a vacuum. Leaders from the Slav-populated successor states met in Minsk, the Belarus capital, before the union died to replace it with a loosely defined Commonwealth of Independent States (CIS). The latest CIS summit in Alma Ata, the Kazakh capital, over the weekend, indicates that the grouping is still struggling to define its role. That is no bad thing.

The CIS has been controversial from the beginning. The Baltic states, which declared their independence shortly after the failed August 1991 coup, have never wanted anything to do with it. The Ukrainians joined reluctantly, with the intention of keeping it toothless. The Kazakhs, and other central Asians, were indignant at their initial exclusion on thinly disguised ethnic lines grounds. Armenia, at war with Azerbaijan over Nagorno Karabakh, has never joined, while Azerbaijan, under its restored Soviet-era leader, joined belatedly in the hope of Russian help in its struggle to retake Karabakh. Georgia too acceded reluctantly, as the price demanded by Moscow for calling off its clandestine military assistance to separatist Abkhazia.

After three years, views on the future role of the CIS are as diverse as ever. Modernisers, broadly defined, imagine the future of the CIS as an eastern version of the European Union, a free association of states agreeing to pool elements of sovereignty in the common weal. At the other extreme are those who dream of restoring the Soviet empire.

The fundamental problem for the CIS is that Russia remains too big and powerful to be just another member. It will always be tempted to exert its influence, particularly on behalf of the 25m ethnic Russians in the newly independent states. Powerful lobbies in Moscow also see the CIS as a cheap route to maintaining indirect control over the energy and mineral wealth of central Asia.

Nostalgia for the imperial past is not confined to Russia, however. The CIS concept also has attractions for inexperienced leaders of newly independent republics who feel isolated and remain anxious to maintain linkages both with Moscow and with each other. Not dissimilar thinking lay behind the formation of the British Commonwealth, which served as a post-imperial model for the CIS founders. But the contiguous Soviet Empire was more intertwined (and much more central to Russians' conception of themselves) than the far-flung, maritime British Empire ever was. Russia will always take a special interest in the affairs of its neighbours, the Baltic states, Belarus, Ukraine and Kazakhstan.

Unfortunately, the Soviet system defied economic rationality, saddling the Eurasian landmass with hopelessly uneconomic plants linked by irrational transport, supply and marketing arrangements. The top priority for both Russia and the other the CIS states is, therefore, to reform their economies and and strengthen their fledgling democracies, while providing a framework within which private businesses can re-establish productive economic ties.

The failure of the latest CIS summit to promote closer political and economic integration implies that member states remain more interested in freedom to pursue perceived national interests than in strengthening an ambiguous and flawed supranational body. To an extent, this is sensible. It is certainly understandable, particularly after Moscow's bungled military operation in Chechnya. But other states are wary of Russia's persistent urge to dominate.

Nevertheless, all parties would benefit from turning the CIS into a mechanism for rational economic and political co-operation among the lands of the former Soviet empire. But first Moscow has to demonstrate its willingness to be a law abiding *primus inter pares* over a huge area where its concerns will always loom large, but must not be pursued at the expense of everyone else.

Power bids

The risk that the government's current weakness could lead to serious erosion in the rigour of UK competition policy has always been real, given the availability of the nebulous "public interest" criterion in assessing takeover bids. Trafalgar House's proposed offer for Northern Electric thus presented Trade Secretary Mr Michael Heseltine with an important test. The direct competition questions involved are negligible. Yet the issues at stake in conglomerate ownership of utilities are such that it would have been easy to declare this a *special* case.

Mr Heseltine's decision not to make a reference to the Monopolies Commission looks sensible, given the assurances provided by Trafalgar over co-operation with the energy industry watchdog, Offer. While there is no legal sanction for any transgression, a combination of publicity and the threat of a future MMC investigation should be sufficient to ensure that Trafalgar toes the line on the provision of information, and the management of the electricity company's cash flow within the group, if the bid succeeds.

Yet the decision to submit the sector to the rigours of the capital market raises another question. Fee-hungry merchant bankers may now crank up their industrial clients to exploit a window of opportunity before a possible Labour government can change the rules. Whether the resulting scramble will produce the most rational possible structure for the electricity supply industry is, in a word, moot.

Britain's borders

The dispute about EU immigration policy kindled by the weekend resignation of Mr Charles Wardle, a UK trade minister, has all the ingredients of a classic British Euro-row. On one side stands the British government attempting, at least in the eyes of some parts of the UK press, to safeguard Britain against welfare-seeking immigrant hordes. In the opposite corner is the European Commission, apparently dragooning Britain into opening its borders against its will.

Some facts have been misrepresented. There is nothing new in Britain's divergence with its European partners over border controls. Yet it is the Commission – not Britain – that is now being taken to the European Court over the matter. The action has been launched by the European Parliament, which accuses the Commission of failing to implement the 1986 Single European Act set up to ensure "free movement of goods, persons, services and capital".

The act also embodies a declaration allowing EU states to take "necessary" measures (including border controls) to counter activities like terrorism and drugs smuggling. Under pressure from the parliament, the Commission plans to introduce a directive this year to enforce free movement of people. However, the directive's fate will depend on the Council of Ministers, in which Britain can use its veto. There is, in short, no imminent threat to Britain's right to passport controls.

The latest supposed Brussels onslaught on UK sovereignty may be less serious than many think. But the controversy could deflect attention from the real issue: whether the full benefits of the single market can be realised when some EU members maintain frontier controls.

The question is a sensitive one not only for Britain – above all because of doubts about whether the EU's *external* borders will be secure against illegal migrants. Largely reflecting these worries, even the EU's most federally minded members have been slow to lift internal controls, as they had originally been scheduled to in January 1993. Led by Germany, France and the Benelux countries, seven EU signatories of the Schengen treaty will eliminate controls from next month. At the urging of France, the Schengen member most anxious about illegal immigration, the controls will be phased out over three months.

As an island with a limited number of entry points, Britain finds it more convenient than mainland EU members to maintain frontier controls. However, the whole EU will soon be able to judge whether the Schengen treaty really does exacerbate welfare abuses or, more seriously, cross-border crime. If effective international co-operation can be implemented to counter such activities and also to police EU external frontiers, the experience of open Euro-borders is likely, over time, to encourage Britain to become part of Schengenland.

In coming years, British and other European travellers will cross most EU borders without passports, yet will have to show them at Dover or Heathrow. Such experiences, more than precipitate action in Brussels, should help to convert the British to the benefits of dismantling border controls.

Every man for himself

The battle for the French presidency is proving messy and unpredictable, writes David Buchan

Mr Edouard Balladur looked confident this week, as he launched his presidential programme under the motto "Believing in France". He certainly believes he is likely to win the French presidency on May 7. So do majorities in the opinion polls and his cabinet, many of whom turned out on Monday for the prime minister's first campaign conference.

But Mr Balladur seems aware of the danger of complacency. With more than two months still to go before the first round of voting on April 23, the front runner felt impelled to fire off a broadside of detailed proposals at his rivals.

French politics are a messy and unpredictable business. This is particularly true of presidential races, where the uncertainties are multiplied by weak party structures, fickle political loyalties and, this time, the plethora of at least 10 candidates vying for seven years in the Elysée.

Mr Balladur appears certain to figure in the May 7 run-off between the two leading candidates from the first round of voting. The main question is whether his opponent will be Mr Jacques Chirac, his fellow Gaullist, or Mr Lionel Jospin, the newly nominated Socialist candidate.

But there are at least three sources of uncertainty. First, opinion polls show there has been a recent rise in the number of undecided voters, with the proportion fluctuating between 20 and 50 per cent. This is probably the legacy of the "non-candidacy" of Mr Jacques Delors, the former European Commission president, who recently ruled himself out of the race. While there was a prospect of him running, Mr Delors drew support from virtually all camps of mainstream French politics.

Second, each of the three main candidates faces a real or threatened challenge from within his own camp. This is in addition to the traditional bids of the hard right and left, represented by Mr Jean-Marie Le Pen of the National Front and Mr Robert Hue, the Communist leader.

Mr Chirac has Mr Philippe de Villiers, the anti-Maastricht conservative dissident, fishing for votes in what he would normally regard as his electoral waters.

Mr Jospin's problem is that Radical, the Socialists' traditional ally which has been revived by Mr Bernard Tapie, the maverick businessman, may run its own candidate. This would probably not be Mr Tapie himself, who faces possible bankruptcy and disqualification.

Mr Balladur may also be challenged. In spite of the wholesale defection of the UDF centre-right party to the prime minister's cause, both Mr Valéry Giscard d'Estaing, the former president, and Mr Raymond Barre, are still considering running.

Mr Barre – a free-wheeling independent who served as Mr Giscard d'Estaing's prime minister between 1976 and 1981 – has said he will decide by the end of this month whether to mount a challenge. If he does, he will take some support away from Mr Balladur.

A third source of uncertainty affects Mr Balladur alone. It is the prospect that serious disorder could break out in a government wracked by presidential rivalries. There are few topics these days on which it is unified and disputes are increasingly frequent.

The election issues themselves are muddied by the lack of clear party platforms binding the candidates – a situation prevailing for sound practical reasons.

No one can win a presidential election on the support of his party alone. Coalitions therefore have to be created. And strange creatures these coalitions can be. The Balladur camp contains odd bedfellows such as Mr Charles Pasqua, the hardline interior minister, and Mr Pierre Méhaignerie, the liberal justice minister. But it is less eclectic than the pro-Chirac partnership between Mr Philippe Séguin, the National Assembly president who wants to find ways of ordering companies to employ the jobless and Mr Alain Madelin, enterprise minister, who sometimes gives the impression he regards the European Monetary System as an intolerable restraint on market forces.

Nonetheless, a number of broad election issues have emerged. They do not entirely correspond to the triple motto that Mr Balladur this week set for his campaign – "equality of opportunity, liberty and Europe". But as both the incumbent prime minister and the front-running presidential candidate, Mr Balladur can to some extent set the election agenda.

Mr Balladur's overall management of the economy is not contested by his mainstream opponents. The economy is growing again, at an annual pace of more than 3 per cent. Real interest rates remain high, pegged to Bundesbank levels, but no leading candidate is campaigning to return monetary policy from the Bank of France to the government. Similarly, there is a consensus on the need for *some* reduction in the budget deficit and *some* reform of the welfare system.

Mr Balladur may believe taxes will have to be raised after the election, but neither he nor his rivals are going to wreck their electoral chances by proposing that now. Indeed Mr Balladur hints at a cut in the rate of income tax in return for widening its base. Nor is privatisation a serious bone of contention.

The principal economic issue is France's chronic tendency to generate fewer jobs for a given increase in economic growth than its partners. Mr Balladur's main solution is to continue to reduce the employment disincentives of high welfare charges on company payrolls by shifting these charges on to the state budget. Mr Chirac appears to want the state to intervene more directly to put more of the country's 3.3m unemployed back to work. Mr Jospin's main solution is to reduce the 39-hour standard working week to create new jobs.

The debate on shortening the presidential term, with Mr Balladur favouring a single seven-year term and Mr Jospin calling for renewable five-year terms, has caught the headlines. But there is no real heat in it. The consensus that French voters should be able to call their presidents to account more frequently has been growing for the past 20 years and has been reinforced by President François Mitterrand's 14 years in office.

By contrast, the burgeoning political and financial scandals of recent years and months have stirred real controversy over the proper relationship between politicians, magistrates and police.

All the main candidates – the two Gaullists and the one Socialist – must tread warily here, because of their parties' involvement in these scandals. But the latest row over police tapping of the phone of a magistrate's father-in-law has created a vulnerability in the Balladur camp. This in turn might tilt Mr Barre, who has been railing against declining standards in French public life, into running.

So far, the response of most leaders of the UDF federation, which would otherwise be Mr Barre's natural constituency, is that there is no room for him in the presidential race (as there clearly was in 1988, when Mr Barre won a respectable 16.5 per cent of the vote).

The UDF leaders argue that Mr Balladur is already carrying the standard for the "European, liberal and social" policies, dear to themselves and Mr Barre. This is certainly true for European monetary union, which Mr Balladur affirmed again this week that he wanted to see "as rapidly as possible; ... if possible by 1997".

This enthusiasm for Emu-by-1997 may appear to jar with Mr Balladur's self-styled "pragmatic" approach to European integration and his refusal to countenance the new taxes that may be essential to bring the budget deficit within the Maastricht convergence criteria by 1997. But, even if he is privately sceptical, he has good reasons for declaring publicly his belief in early Emu: it maintains downward pressure on France's deficits; it keeps the UDF happy and it reassures the financial markets.

Mr Balladur said this week he was providing a relatively detailed programme so that he could not be accused of spouting only "big words and hollow promises". He still has a couple of months to be tested on that.

Dose of financial morphine for Mexico

PERSONAL VIEW

The Clinton administration's $52bn Mexican guarantee programme has provided temporary calm to that country's chaotic financial markets. But it offers no assurance of lasting success.

A private, market-based solution is preferable because it avoids spreading the risk of default to all US taxpayers. It would also force Mexico's debt holders to take responsibility for restoring financial discipline and for the long-term stabilisation of the peso.

The current programme – which is both boldly conceived and unprecedented in scope – has transformed Mexico into a depository institution because the US government has stepped in to guarantee the country's debt. The US now has a direct claim over the Mexican government and an indirect claim over Mexican financial institutions.

By accepting this massive intervention, Mexican officials are on a slippery slope. Instead of dealing with a multiplicity of private investors, they face endless negotiations with a consortium from the US State and Treasury Departments, the International Monetary Fund and the Bank for International Settlements – with Congress watching.

This is a bad development. The longer the guarantees are outstanding, the more likely they are to anaesthetise Mexican officials to the fiscal standards required by the international capital markets.

The bailout could also impair the liquidity of other emerging debt markets. A two-tier market may develop, distinguishing between those sovereign debts that are likely to be bailed out by the US and those that are not. Private investors holding debt in the second of these two categories may be forced to sell their securities. Some investors could incur substantial losses. Most will be reluctant to return to those markets without a US guarantee.

In considering how a market-based solution should be structured, we need first to identify the origins of the Mexican debt crisis. It arose from a temporary inability to fund short-term, fixed-income dollar securities – *tesobonos* – after hard currency reserves were depleted in an abortive effort to support the peso. Yet the assets Mexico can liquidate over the intermediate term exceed the issued debts.

This means that, if maturities of all $28bn of *tesobonos* due to mature this year were staggered so as to repay $5bn a year from 1996 on, there would be no debt crisis. Those extended principal payments could be met, along with punctual payment of interest.

The authors of the guarantee programme are prolonging the crisis not containing it

The proven way to accomplish this – and the one we recommend – is to encourage existing investors to exchange their short-term securities for bonds with a longer maturity. Critics might argue that a privately negotiated exchange offer is a risky process. But we contend that the guarantees organised by the US government amount to an injection of financial morphine. The eyes of central bankers and *tesobono*-holders are temporarily glazed over with relief. However, without realising it, the architects of these guarantees have sent an unfortunate signal by confirming that private investors need no longer rely on hitherto active Mexican capital markets for liquidity.

By contrast, the announcement of an exchange offer in line with our suggestion would create a climate in which investors could rely on each other not to become panic sellers. This is because the minimum value of their investments would have been made clear. We believe virtually all holders would accept the offer both because of the adverse consequences if it did fail and the tempting rewards if it was successfully completed.

Once the market recognised that the offer would succeed, enormous pressure would be taken off the peso. And once it was completed, Mexico's credit rating would be reaffirmed. However, investors would probably demand higher rates of interest to compensate them for the risk that history could repeat itself, resulting in six-month securities being turned again into securities with a longer maturity.

The key point is that despite a very scary ride, Mexico's capital markets could prove their viability without outside intervention – to the benefit of all emerging markets.

By spending $28bn unnecessarily on redeeming *tesobonos* due this year, instead of holding the money in reserve, the authors of the current guarantee programme are prolonging the crisis rather than containing it. Speculators might start to wonder what would happen if the guarantees were exhausted. That could trigger the scariest ride of all.

Peter Ackerman and James A. Dorn

Mr Ackerman is managing director of Rockport Partners and former head of international capital markets at Drexel Burnham Lambert. Mr Dorn is vice-president for academic affairs at the Cato Institute

OBSERVER

Furry suspicious

■ Must make a change from trying to explain bloody blundering in Chechnya. When Russia's foreign minister Andrei Kozyrev arrived in Stockholm yesterday for talks with Swedish prime minister Ingvar Carlsson, he found most of the embarrassing questions being aimed at his hosts.

Sweden has long been nervy about Soviet/Russian submarine incursions into Baltic waters. In the 1980s, there were indeed confirmed cases of U-boats.

But naval authorities now admit that five out of six recent instances of suspected U-boat activity can be put down to the underwater antics of – mink.

Carl Bildt, Carlsson's predecessor, last year dispatched a stiff letter to Boris Yeltsin claiming "the technical evidence" was "convincing". Little did he know that hydrophone devices have difficulty in distinguishing the sound produced by a mink's tail from that of a U-boat propeller. But Kozyrev was not going for an apology, dismissing the affair as "a joke – a footnote in relations".

Batting order

■ The repercussions of Sir David Scholey's decision to postpone his retirement from the House of Warburg go well beyond the Warburg boardroom. By retiring at 60 he was a natural for at least one big chairmanship. Now the headhunters are going to have to earn their money.

Scholey had been mentioned as a possible successor to the BBC's Marmaduke Hussey, and GEC's Lord Prior, 67. He had even been seen as a possible contender to take over from Sir Patrick Sheehy, 64, chairman of BAT Industries, Britain's sixth biggest company.

Indeed, the question of who succeeds Sheehy is acquiring some urgency since there is no heir apparent.

Sir Alick Rankin, who joined the board 18 months ago, is no longer in the running now that he is getting the chairmanship of General Accident, and Lord Armstrong, the former cabinet secretary, is simply too old. The job would suit a well-connected globe trotter like Scholey.

Of course, there is always Lord Cairns, who has been on the BAT board for five years, and has more time on his hands these days.

Suicide mission

■ Anyone curious about the workings of the mind of Libyan dictator Muammer Gadaffi now has an additional source of inquiry besides the political musings as expounded in his famous Green Book.

This time the Muse has inspired the colonel in a literary direction, resulting in a collection of short stories and essays entitled: *The Village, the Village, the Earth, the Earth and the Suicide of the Astronaut.*

The basic message seems to consist of a diatribe against the evils of the city, combined with a call for a return to bucolic idylls and all that.

But the text sounds like anything but escapist stuff. The astronaut in the title, for instance, returns to earth unable to make a living and promptly kills himself.

Perhaps Gadaffi's old friend Tiny Rowland would like to review the tome, now that Lonrho demands less of his time.

Gore report

■ Good to see that one member of the old guard at Warburg is carrying on as if nothing has happened. Michael Gore, Warburg's former finance director and now taipan of its Asia/Pacific business, was in Beijing yesterday raising the Warburg flag over yet another far-flung outpost.

When pressed by the FT's man on the spot, he said that there might be "short-term volatility caused by changes in leadership, but long-term investors would be rewarded".

And, no, he was not talking about the changes at the top of S.G. Warburg but what might happen when China's ailing Deng Xiaoping passes on.

And what about the succession at Warburg? All he and his associates would say is that they are not sure that "divine intervention" is applicable to Warburg's present difficulties.

That must be a relief for the headhunters.

Suspense

■ Wolford finally strode to the stock exchange yesterday – Valentine's day, naturally. The fashion tights manufacturer, it will be remembered, goes down in history for celebrating woman in its last annual report as "the unending, timeless, archaic and yet at the same time most modern, complicatedly simple, and fascinating phenomenon".

The much-hyped "Lady" shares were eight times oversubscribed, but sagged an embarrassing one schilling from the Sch440 issue price in Vienna.

The French, by contrast, exhibited finer feelings for the poetry of the occasion, marking prices up FFr10 at FFr230 a couple of hours later in Paris. Fascinating, complicated – so presumably, terribly female.

Flow chart

■ How did the plumber end his affair?

He told her: "It's all over, Flo."

The Financial Times

100 years ago

The weather and the railways
It was natural that the extremely severe weather which we have experienced during the last few weeks should have produced an unfavourable effect upon the Home Railway traffic receipts. Snowstorms and other meteorological disturbances have to a considerable extent disorganised the goods service, and the amount of freight passing over the metals has been reduced by the temporary stoppage of certain out-door industries – notably of the building trade.

50 years ago

Car purchase deposits
The Society of Motor Manufacturers and Traders took occasion some time ago to warn the public that no reliance could be placed on delivery of new cars in the post-war period merely because a deposit had been made in respect of an order or a credit note issued on the purchase of a used car. Apparently, the method is still being persisted in, and the manufacturers renew their warning to the public that they do not in any way acknowledge priorities of this character.

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France fails to win EU backing for Hollywood TV film quotas

By Emma Tucker in Bordeaux

France lost its battle yesterday to persuade its European Union partners to support the imposition of stricter quotas on the screening of Hollywood films and other foreign productions by European television stations.

At an informal meeting of EU culture ministers in Bordeaux, Germany and other member states backed away from French plans to tighten the rules determining what can be broadcast into European homes. It now seems unlikely that the EU's audio-visual industry will face far-reaching regulatory changes in the near future.

"We think that quotas impose a kind of pressure on free and independent television stations," said a Danish spokesman. "We find them undemocratic and we haven't seen any evidence that quotas bring any benefit."

After a lively discussion inside Bordeaux's Grand Theatre, it emerged only Belgium and Greece were enthusiastic about France's conviction that the best way to safeguard European culture from a flood of US products was to reinforce a requirement that broadcasters screen a minimum of European-made productions.

"We don't have a European car, we don't have a European train . . . I don't see why there should be a European film," Mr Helmut Schaefer, the German representative, said.

However, Mr Marcelino Oreja, the European commissioner responsible for audio visual policy, told ministers he was confident he would be able to present definite proposals for reform of the existing regulatory framework when they meet formally on April 3 in Luxembourg.

France – which attaches far greater importance to the protection of national culture than other member states – believes that general television channels should be required to screen a minimum 51 per cent of European-made programmes.

Mr Jacques Toubon, the French culture minister, said: "In this area as in so many others, the diversity of our culture will not be able to assert itself against uniformity unless we stand together."

At the moment the EU's 1989 Television Without Frontiers directive requires broadcasters to screen a minimum 51 per cent of European productions, but only "where practicable", a loophole that has allowed transgression.

But reservations from other member states mean that the French proposals – a priority of the country's six-month EU presidency – are unlikely to become union law.

The Italians suggested existing rules should remain, while the Danes pushed for the quotas to be phased out altogether.

Mr Stephen Dorrell, the UK heritage secretary who opposes the use of quotas, said: "Where we disagree with France is not on the importance of safeguarding European culture, but over the question of how to get there."

UK clears way for takeover of privatised power concern

By Peggy Hollinger and John Mason

The UK government cleared the way yesterday for the first takeover of a privatised UK electricity company by saying it would not refer Trafalgar House's hostile £1.2bn bid for Northern Electric to the Monopolies and Mergers Commission.

Electricity shares jumped on the announcement as the stock market prepared for other possible predators to declare their interest in the cash-rich companies. The sector closed 3 per cent up while the market as a whole fell slightly. Northern closed 116p up at 1091p.

"It opens up the whole sector for takeovers," said Mr Nigel Hawkins, electricity analyst at Hoare Govett, the stockbroker.

Trafalgar has promised that it will provide Northern with sufficient resources to meet its obligations, make the appropriate information available to the regulator, retain separate accounts and financial independence in the utility, and agree to appropriate amendments to its distribution licences.

However, it is understood that the regulator is disappointed that the decision to clear the bid was made without attaching any legally enforceable conditions that could be applied to other potential takeovers.

The regulator was negotiating yesterday with Trafalgar House over amendments to Northern's licence to be made if the bid succeeds. The Office of Electricity Regulation said these amendments would be legally enforceable.

Prof Littlechild also retains the right to refer Trafalgar/Northern to the MMC under the 1989 Electricity Act if the bidder refuses to amend the licences, or fails to abide by the assurances. He is believed to be planning to propose several amendments to the licences, including refloating 25 per cent of Northern after a takeover. It is also likely that he will require Trafalgar to retain a UK listing.

Trafalgar said that it had no objections to the licence amendments proposed so far. However, it said the flotation of a minority stake would be likely to cause concern if eventually proposed.

In Westminster, Mr Heseltine's decision provoked angry responses from opposition spokesmen, but largely met the concerns expressed by a number of Tory MPs over the bid.

Mr Jack Cunningham, Labour's trade and industry spokesman, said the failure to refer the bid was "extraordinary and deeply unsatisfactory".

Northern Electric refused to comment on the decision. It is preparing its final defence document.

Editorial Comment, page 13; See Lex; Northern Electric bid decision welcomed, Page 22

New York to cut spending by $2.7bn

Continued from Page 1

Pataki, the Republican governor of New York State. But New York City is going further – for example by limiting drugs available through Medicaid and eliminating entitlement to spectacles.

The rest of the $2.7bn savings will come from $600m cuts in grants to city agencies – and $800m savings from productivity agreements with the workforce in exchange for a pledge of no further lay-offs.

● Police warnings of possible terrorist attacks have led to a sharp tightening of security in the Wall Street financial district of lower Manhattan over the past few days.

The New York Police Department believes financial institutions could be the target of an Islamic terrorist attack to protest at the continuing trial of 11 defendants accused of planning a "war of urban terrorism" against New York.

LEX COLUMN

BP's profits pump

The near 2 per cent drop in the British Petroleum share price is at first sight curious. Profits for 1994 were at the top end of expectations and the fourth-quarter dividend increase was not widely predicted. But investors are losing their capacity to be surprised at the magnitude of BP's post-1992 turnaround. Yesterday was as good a moment as any to take profits after the stock's 27 per cent outperformance against the market in the past year.

One by one, ambitious targets for profits growth, cost reduction and debt reduction have been beaten. Management credibility is such that there is little doubt new targets will be met too. This is not merely because of the cyclical recovery in petrochemicals where operating profits are set to double this year. Refining margins have arguably bottomed out.

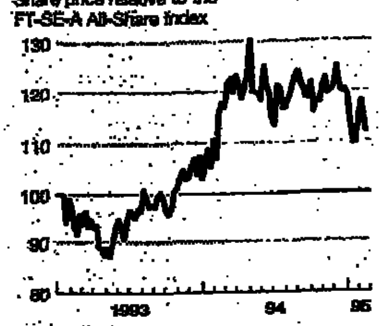
Upstream, the predicted 2 per cent a year rise in oil and gas production should combine with low costs to generate further healthy profit increases. A higher oil price would help, but even if it stays at current levels the $3bn pre-exceptional replacement cost profit targeted for 1996 looks eminently achievable, as does the reduction in debt to $8bn.

This is impressive, but in the price. Further re-rating is likely to wait for quarter-by-quarter proof that objectives are being exceeded, not simply met. The prospect of 20 per cent a year dividend growth is enticing, but the shares still yield a third less than the average for international competitors.

FT-SE Eurotrack 200:
1394.5 (-3.9)

Reuters

Share price relative to the FT-SE-A All-Share index



Source: FT Graphite

Reuters

Reuters will suffer from the fall-out in financial markets. As investment banks react to last year's poor profits by cutting costs, Reuters will find it harder to increase sales of its information and dealing systems. Still, the group's powerful electronic franchise in financial markets is intact: yesterday's results show that operating margins continue to rise once acquisitions are stripped out. Underlying revenue growth will be slower this year than last year's 17 per cent, as Reuters warns; but there will still be growth. And when good times in financial markets return, sales will pick up more strongly.

Something more, though, will be needed if Reuters' share price is to resume its rise. The main hope must be that the group finds a way of transferring the electronic formula from finance to other markets. Reuters so far has little to show for its attempt to build similar electronic franchises in health care and business information, but it is early days. Expanding such operations will involve bigger investments and possibly acquisitions. However, given the fledgling nature of these markets, the sums involved will not be large.

As a result, investors are likely to focus on Reuters' cash pile – £534m at the end of 1994 and growing at £150m to £200m a year. Another massive share buy-back may face tax complications, given that the 1993 buy-back exhausted most of the group's advance corporation tax capacity. But one way or another, Reuters must find a profitable use for its cash.

Norwegian banks

Den norske Bank's board was right to defy the government over the dividend. The state may own 72 per cent of the company, but the government's desired payout, equivalent to 50 per cent of net profits, would not have been in its own interests or those of other shareholders. The bank's return to financial health should not be exaggerated. Last year, it made unrepeatable net gains from releasing provisions and was in the happy position of paying no tax. Its current 29 per cent return on capital is clearly unsustainable.

Besides, the bank needs to strengthen its core capital. A tier one ratio of 7.4 per cent may look high, but the Norwegian economy's main industries – oil and gas, pulp and paper, shipping, and fisheries – are all cyclical and have a nasty habit of performing simultaneous nose-dives. Furthermore, the domestic commercial loan market is becoming increasingly competitive, with Citicorp and the Swedes making significant inroads.

The government has every right to respond by rejecting the group's accounts at the annual meeting and then voting off the board. However, there would be little point unsettling the management given the small sums involved.

Moreover, most of the state's profits from its banking investments will be generated through capital gains, not dividends, but the stronger the bank's financial position, the higher price the state will obtain when it sells its stake. The government may have been somewhat humiliated yesterday, but it should eventually be richer for the experience.

Northern Electric

Fortunately, the UK government has ignored calls to refer Trafalgar's £1.2bn bid for Northern Electric to the Monopolies and Mergers Commission. No competition issues are raised by this bid. Northern has done itself no credit by campaigning for a reference. If it had been successful, the immediate effect would have been to damage investors' interests by sending the share price plunging. Instead, they enjoyed yesterday a further 12 per cent rise in their investment.

Northern rightly points out that Trafalgar can afford to increase its £10.48 a share bid and yesterday's closing price of £10.91 shows the market expects more. Trafalgar will be able to offset its own accumulated tax losses against Northern's profits. But just because Trafalgar can afford to pay more does not mean it will. Northern must first persuade its investors that their shares are worth something approaching £10.48 if the bid lapses.

Northern has yet to make this case. There are no plans to step up its cost-cutting. And its promise to transfer directly to shareholders its stake in the National Grid, plus any special dividend paid by the Grid before a demerger, does not go far enough. If it is to validate a £10.48 valuation as an independent entity, it needs to exploit its ungeared balance sheet to the full by paying bumper dividends. Yesterday Northern dangled the prospect of something along these lines. One can only hope that, having kept its powder dry for so long, the bang when it comes will be big.

Additional Lex on Hanson, Page 21

Battle to keep Moscow at the centre

Continued from Page 1

it is the mayor – Mr Luzhkov prefers to go by the title "premier" – who regulates local consumer prices, decrees who may live in the capital city and even determines the local approach to privatisation.

In practice, if not in principle, when the Moscow premier's views on those issues have come into conflict with national policies established by the cabinet of ministers, within city limits, it is Mr Luzhkov's line that has prevailed.

Mr Luzhkov is difficult to place along the reformers versus hardliners axis into which outside observers often try to confine the Byzantine complexities of Russian politics. On the one hand, he was one of the defenders of the White House during the failed August 1991 hardline coup – a role that earned him Mr Yeltsin's trust. Lest anyone forget which side Mr Luzhkov took during that turning point in Russian politics, he has published a blow-by-blow account, under the title 72 Hours of Agony.

During the other defining moment of the past few years, the armed struggle between Mr Yeltsin and the Russian parliament in October, 1993, the mayor also took the president's side. Mr Luzhkov, whom Mr Yeltsin appointed in the summer of 1992 to run both branches of the Moscow government, returned the favour by cutting off water, electricity and telephone lines to the besieged parliamentarians.

But while Mr Luzhkov has unfailingly stood by Mr Yeltsin at key political moments, he has also entered into open political confrontation with some of the president's closest associates. His most prominent enemy is Mr Anatoly Chubais, a first deputy prime minister and the standard bearer of market reforms in the Russian cabinet.

From the outset of mass privatisation, Mr Luzhkov has fought for, and won, an exceptional status for the city of Moscow. That status was entrenched last week when Mr Yeltsin signed a decree giving the city further control of privatisation.

The city has also, separately, given itself powers to renationalise privatised assets.

Last week the city government was accused by a western businessman of seeking to "re-nationalise" the Radisson Slavyanskaya, one of Moscow's sleekest western hotels.

Mr Paul Tatum, one of the American partners in the venture, said: "I believe at this point in time our joint venture has been quietly taken over. You can say nationalised, you can say expropriated." Moscow authorities dispute Mr Tatum's claim, saying he owes the city money.

An official said that Moscow, seeking to end the battle, was trying to oust Mr Tatum from the joint venture's board of directors. For Mr Luzhkov, who has successfully defied cabinet ministers, getting rid of one unco-operative American is unlikely to pose much of a problem.

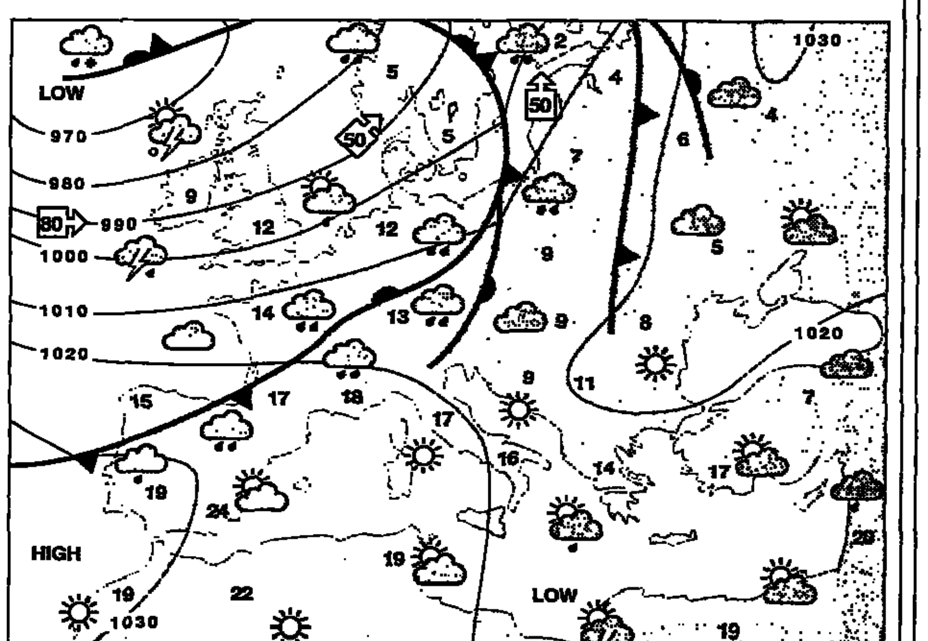
FT WEATHER GUIDE

Europe today

An active cold front will stretch from Poland to France and northern Spain, generating widespread rain and drizzle. Cold and very unstable air will follow the front into western Europe, giving numerous showers in Ireland and England and steady rain in Scotland. Rain will move further into Scandinavia. In contrast, very mild air will move north ahead of the front, giving temperatures of about 10C throughout central Europe. Temperatures will also be unseasonably high in Spain, where sun will boost readings to about 24C in the south-east. The Balkans will be settled with sunny periods and unseasonably high temperatures.

Five-day forecast

A westerly flow from the Atlantic will continue to push rain and showers into western Europe. Most rain is expected in northern France, especially during Friday, when it could be heavy and steady. The Alps will have some snow on Thursday, but temperatures in most regions will generally be above normal for the time of year.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	6	Caracas	sun	28	Faro	fair	19	Madrid	cloudy	17	Rangoon	sun	32
	Celsius		Belfast	hail	8	Cardiff	thund	10	Frankfurt	rain	14	Majorca	fair	20	Reykjavik	fair	2
Abu Dhabi	fair	27	Belgrade	fair	11	Casablanca	fair	19	Geneva	rain	13	Malta	shower	16	Rio	cloudy	29
Accra	fair	32	Berlin	rain	11	Chicago	rain	8	Gibraltar	sun	20	Manchester	shower	11	Rome	sun	17
Algiers	fair	21	Bermuda	cloudy	20	Cologne	rain	14	Glasgow	rain	8	Manila	cloudy	31	S. Frsco	sun	14
Amsterdam	shower	11	Bogota	fair	24	Dakar	fair	24	Hamburg	shower	12	Melbourne	fair	35	Seoul	fair	2
Athens	fair	14	Bombay	sun	32	Dallas	thund	20	Helsinki	sleet	3	Mexico City	sun	23	Singapore	shower	31
Atlanta	shower	18	Brussels	shower	12	Delhi	fair	25	Hong Kong	cloudy	22	Miami	fair	29	Stockholm	rain	5
B. Aires	fair	28	Budapest	fair	9	Dubai	fair	27	Honolulu	cloudy	26	Milan	fair	12	Strasbourg	rain	16
B.ham	shower	11	C.hagen	shower	7	Dublin	shower	9	Istanbul	fair	10	Montreal	snow	-4	Sydney	shower	24
Bangkok	fair	34	Cairo	shower	19	Dubrovnik	sun	16	Jakarta	thund	30	Moscow	drzzl	4	Tangier	fair	18
Barcelona	fair	18	Cape Town	fair	26	Edinburgh	fair	9	Jersey	thund	11	Munich	shower	13	Tel Aviv	shower	20
									Karachi	fair	27	Nairobi	shower	28	Tokyo	fair	10
									Kuwait	shower	20	Naples	sun	16	Toronto	snow	1
									L. Angeles	sun	19	Nassau	cloudy	29	Vancouver	fair	5
									Las Palmas	fair	22	New York	rain	4	Venice	fair	10
									Lima	fair	28	Nice	fair	14	Vienna	cloudy	8
									Lisbon	rain	20	Nicosia	sun	19	Warsaw	drzzl	10
									London	shower	12	Oslo	shower	4	Washington	rain	6
									Lux.bourg	rain	12	Paris	shower	14	Wellington	fair	17
									Lyon	rain	16	Perth	fair	27	Winnipeg	fair	-15
									Madeira	fair	20	Prague	rain	9	Zurich	rain	13

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

BP buoyant as profits soar 36%

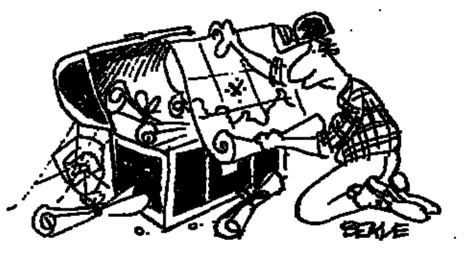
Strong chemicals prices boosted British Petroleum's fourth quarter replacement cost profits to £427m ($661.85m), a 36 per cent rise on 1993 and the company's best quarterly performance since 1990. The results were at the top end of analysts' expectations. Page 21; Lex, Page 14

Den norske Bank rejects state payout call
Den norske Bank, Norway's largest commercial bank, announced record 1994 profits but refused to meet state demands for a dividend payout ratio of 50 per cent of net profits. Page 16; Lex, Page 14

Pacific Dunlop slips on flat results
Shares in Pacific Dunlop, the Australian conglomerate, fell 3 cents to A$3.01 – only a few cents above its 52-week low – on news of a flat first-half profit before abnormals. Page 17

Oil project charges hit Kvaerner
Kvaerner, Norway's second largest bourse-listed company, disclosed that full-year profits had been hit by NKr1bn ($150m) in provisions to cover losses on the Troll oil project and restructuring of the oil and gas division. Page 20

Ecuador dusts down mineral maps



Mineral prospectors are surveying Ecuador in what seems to be an unprecedented mining bonanza. Some companies are dusting off old maps of once active mines and exploring sites rediscovered in recent years. Page 23

Eli Lilly pulls in $316m in fourth quarter
Eli Lilly, the US pharmaceutical group, produced net earnings in the fourth quarter of $316m before special charges, or $1.09 per share. Page 20

Allied Irish Banks look eastward
Allied Irish Banks may take further stakes in banks in eastern Europe. The company unveiled its plans as it disclosed a 16.6 per cent rise in pre-tax profits to I£341.2m ($525.76m) last year, compared with I£292.6m before exceptional items in 1993. Page 22

Reuters chief gets 38% pay hike
Mr Peter Job, chief executive of Reuters, the UK media group, last year received a pay increase of 38 per cent, taking his salary to £600,000 ($930,000). Mr Job's rise was announced along with other changes to Reuters' remuneration policy, including the reduction of executive directors' contracts from three years to two. Page 21; Lex, Page 14

Chemicals subsidiary lifts Hanson
Hanson, the Anglo-US conglomerate, reported a sharp increase in first quarter profits following a strong performance by Quantum Chemical, its polyethylene subsidiary, and buoyant sales by Imperial Tobacco. Page 22; Lex, Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bil & Berger	745	+	20
Douglas	474	+	10
Gerresheimer	280	+	8.5
SAP	1358	+	58
Falls			
Asko Prf	610	-	12
Lahmeyer	580	-	10
NEW YORK ($)			
Rises			
Am Express	33⅝	+	1⅝
Pepsico	38½	+	1½
Falls			
AT & T	51½	-	⅝
Lilly (Eli)	64	-	⅝
Reebok	18¾	-	3
UAL	95⅝	-	1⅝
LONDON (Pence)			
Rises			
Eastern Grp	730	+	28
Northern Elec	1091	+	116
Yorkshire Elec	884	+	73
Falls			
Fine Decor	159	-	11
Reed Intl	737½	-	22½
Scottish Spark	17	-	10
TORONTO (C$)			
Rises			
Cognos	27½	+	1¼
Hayes-Dana	17⅞	+	5⅞
Magna B	52⅜	+	1
Tera Inds	17¼	+	1¼
West Fraser	37¾	+	1
Falls			
Dundee Bancp	9⅝	-	⅝
PARIS (FFr)			
Rises			
BIC	715	+	10
Canal Plus	782	+	17
Legris	340	+	12
Falls			
Docks de France	716	-	14
Lyonnaise	555	-	19
Pechiney	136.8	-	13.2
TOKYO (Yen)			
Falls			
Fudo Cons	1170	-	80
M'bishi Heavy	823	-	24
NEC	910	-	14
Penta-Ocean	814	-	28
Sega	4840	-	200
Sumitomo Cons	752	-	12
HONG KONG (HK$)			
Falls			
China Motor	53	-	1
Guoco	28.5	-	1.1
HSBC	78.25	-	1.7
Hang Seng Bk	44.6	-	0.8
Henderson Land	36.4	-	1
Television Broad	28.8	-	2.2

Bangkok closed. New York & Toronto prices at 12.30.

Andrew Baxter explains the biggest change in the UK industry since privatisation

British Steel core is more than before

In the UK steel industry, a decade might as well be a millennium. Back in the mid-1980s, state-owned British Steel Corporation was only just back in profit after the 1980-81 recession and looking for ways to focus on its core business – the production of bulk steels. Engineering steels, the specialist grades used to make products such as forgings for the automotive and aerospace industries, were viewed as non-core.

The policy was one of the reasons behind the creation in early 1986 of United Engineering Steels – later renamed UES Holdings – from the merger of the corporation's engineering steels interests and the forgings business of Guest Keen and Nettlefolds, now called GKN.

Yet yesterday, British Steel – privatised, reshaped and restructured into one of the world's lowest cost steel producers – paid £93m ($144m) cash for GKN's stake in UES Holdings, regaining full ownership and control.

In words that speak volumes for British Steel's changed circumstances, Mr Brian Moffat, chairman and chief executive, said: "Engineering steel manufacture is a core activity for British Steel and we look forward to continuing to improve UES's financial performance."

The deal has long been expected, but it is still a momentous event for the UK steel industry.

- It is the biggest change of ownership since British Steel was privatised in 1988, giving the UK's dominant producer of standard steels full control of the country's second largest steel company. UES is also the biggest European producer of engineering steels.
- It takes the capital spending undertaken or planned by British Steel since September to £410m, against £104m for 1993/94. That underlines not only its more expansionist approach since the end of the recession but its strong belief in a profitable future making steel.
- It has implications that could extend beyond the engineering steel sector. The deal could open another round of consolidation and technological change at UES and at British Steel's long products operations at Scunthorpe and Teesside.

Although formed in 1986, the genesis of UES goes back to 1979, when Mrs Margaret Thatcher's first government aimed to include the steel industry in its privatisation plans.

The idea was greeted with incredulity. Few buyers were thought likely to enter an industry saddled with overcapacity, overmanning and declining markets, and many private sector steel companies were close to collapse and in no condition to buy BSC assets.

As a first step to possible privatisation, a number of joint-ventures between BSC and the private sector were formed in the "Phoenix" programme of the early 1980s.

UES was the last, the biggest and the most ambitious Phoenix. Intended to rationalise the engineering steel sector, it came only after six years of negotiations between BSC and GKN. The government sweetened the pot with £55m of new capital.

The end of the arrangement announced yesterday might suggest it was doomed from the start, but observers believe it fulfilled an important transitional role.

Under joint ownership, much of the necessary restructuring has been achieved: the workforce has been cut from 10,200 to about 6,500.

Buoyed by strong profit growth in the late 1980s, a series of acquisitions strengthened UES in the scrap business – the main raw material for its electric arc furnaces – and in stockholding and production of bright bar, a shiny steel made from "black" engineering steel.

Some £250m was spent on capital investment, including a £75m continuous casting complex at the main UES Steels plant in Aldwarke, Rotherham.

But the 1990s have brought nothing but problems. Peak profits of £67.3m in 1989 turned into a pre-tax loss of £48.1m in 1993 – thanks to collapsing selling prices, rising scrap and electricity prices and allegedly market-distorting subsidies to some European rivals.

There were internal problems too. For the past two to three years, UES has been unable to take important strategic decisions because GKN was unwilling to countenance further big spending. Restructuring might have been quicker if British Steel had had full ownership, says Mr Edward Hadas, analyst at NatWest Securities.

Although Sir David Lees, GKN chairman, claims the joint venture was "not an unhappy marriage", it emerged yesterday that previous talks had broken down after the two companies failed to agree on a sale price. When the engineering group told British Steel it was keen to sell early last year, bleak prospects for the steel industry made an outright acquisition unattractive.

Since then, however, UES has returned into the black as operating margins have recovered, with pre-tax profits of £18.2m last year. "To have done it last year without a recovery in evidence would have been very difficult for British Steel. But now we're in mid-cycle, we've been able to strike a fair deal," Sir David says.

The deal underlines British Steel's expansionist approach and a belief in a profitable future making steel

British Steel can now restructure its subsidiary with a free rein and with the prospect of further profit rises at UES.

Privatisation of parts of the European engineering steel industry should stimulate "more rational economic behaviour" by some European rivals, says one observer, while analysts point out that UES profits would be tax-free this year because of accrued losses over the past two years.

Against that is the cost for British Steel of the deal, and possibly of further restructuring at UES and other facilities. And that was what intrigued steel analysts yesterday.

British Steel was giving little away about its plans. "The only absolute certainty is that we will be continuing to improve competitiveness," it said.

But it has a number of options. "UES is a business which needs attention, but also one that sits alongside British Steel's long products business," says one observer.

Another related business, he says, is the Scunthorpe Rod Mill bought recently as part of a complex deal that extricated British Steel from partial ownership of ASW, (formerly Allied Steel & Wire and the first of the Phoenix ventures).

British Steel could now look across all these businesses to make strategic decisions about the most cost-effective production technologies – and how much steelmaking it needs.

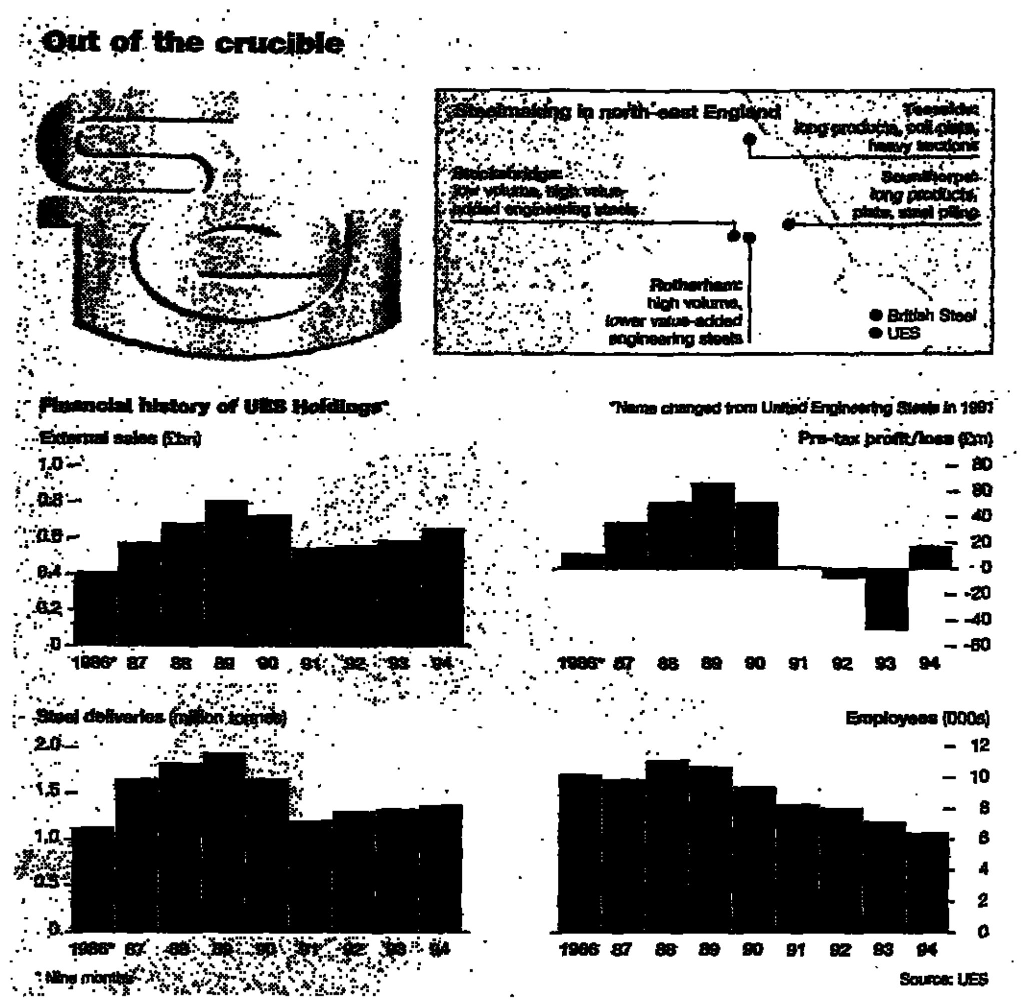
One option could be to convert the whole long products business to electric arc furnace production, including low cost mini-mills. Traditional blast furnace production at Scunthorpe would end, perhaps early in the 21st century, and more work could be put into UES' electric arc furnaces at Stocksbridge and Rotherham or smaller, more flexible equivalents. Alternatively, UES's "front-end" could be rationalised and some steel production transferred to Scunthorpe, reducing the exposure of UES to volatile scrap prices.

One way or another, British Steel has to do some "pretty interesting technical analysis over the next few years", says Mr Hadas. And British Steel is now the only European producer using blast furnaces for long products, he notes.

Additional reporting by Tim Burt

GKN leaves steel, Page 24

Out of the crucible



Daimler closer to control of CGS

By Michael Lindemann in Bonn and John Ridding in Paris

Daimler-Benz, the German automotive group, is likely to take a majority stake in Cap Gemini Sogeti, the French software company, giving it control of Europe's largest information technology group. Debis, Daimler's services arm, has held a 34 per cent stake in CGS since 1991 and is in talks which are likely to lead to a majority stake. Under the 1991 contract, the German group has until February next year to make a decision.

Mr Heinz Achinger, a member of the Debis management board, said the two sides were discussing a suitable price. "In operational terms it makes total sense," he said.

Debis has created close links with CGS since links were established between the two groups. They now have a combined turnover of about FFr16bn ($3bn).

The closer co-operation had enabled the two companies to develop joint software platforms giving them the sort of competitive advantage over other information technology groups which helped them secure a contract last year for DHL, the international freight group.

Investors, buoyed by the prospect of an imminent agreement, pushed shares in CGS up by FFr5.70 to FFr171.20. The rise in the share price also reflected the reaction to results for last year and an upbeat assessment of prospects for 1995.

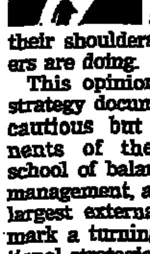
On Monday, CGS announced a sharp reduction in net losses to FFr95m for 1994, compared with a deficit of FFr429m in 1993. CGS said it returned to the black in the second half and it expected a significant net result for 1995. CGS forecast a recovery in margins and said its order book stood 19 per cent higher at the end of 1994 compared with the beginning of the year.

CGS's recovery reflects the improvement in market conditions and the impact of a radical restructuring programme over the past two years designed to give people within the group better access to its expertise.

The programme, dubbed Genesis, has involved the creation of separate profit centres for the various industrial sectors targeted by the company. The centres are organised on a geographical basis so that, for example, the US is the base for oil and energy-related systems while the French division handles all telecommunications customers.

Barry Riley

How pension funds can rebalance without tears



In the absence of a long-term anchor, the whole UK pension fund industry could drift away from prudent asset allocation as trustees and managers look over their shoulders to see what others are doing.

This opinion, expressed in a strategy document by Schroders, cautious but successful exponents of the consensus-plus school of balanced pension fund management, and the UK's third-largest external manager, could mark a turning point in institutional strategies.

The immediate strategic impact is not, perhaps, a big deal. Schroders is raising its upper limit on holdings of bonds and cash in a discretionary UK pension fund portfolio from 25 to 30 per cent (not including index-linked gilts). This is a theoretical limit, not a suggestion that it is going to dump equities suddenly.

Another intriguing feature of the document, however, is that Schroders has become hesitant about the ability of equities in the foreseeable future to deliver high real returns – such as the regular 15 per cent returns which drove UK pension fund equity exposures to more than 80 per cent during the 1980s.

A section on "illustrative real returns", which presumably fall short of being hard forecasts but are intended to be realistic and internally consistent, suggests that the nominal return on sterling bonds during the rest of the decade will average 9.8 per cent, and the real return 6.3 per cent.

The UK equity return will be just fractionally higher at 6.4 per cent, it is projected. The main overseas markets will perform worse than this, leaving only the Pacific Rim, with 10.7 per cent real returns to UK investors, as a high growth portfolio booster – albeit with high risks.

But the level of prospective returns is not the only matter at issue. Managers are also becoming aware of the need to reduce volatility, given the rapidly increasing maturity of many pension schemes and the threat of a statutory minimum solvency standard.

According to Schroders, trustees can now make a virtue out of necessity

According to Schroders, which runs £27bn ($42bn) of pension fund assets, trustees can now make a virtue out of necessity. They can increase their bond exposures without having to make a large sacrifice in terms of expected future returns.

So much for the theory. What is actually *happening* out there? Certainly, pension funds were buying gilts last year, which they were not in 1993. At the end of 1993 the biggest UK pension fund database, the WM All Funds, indicated an average exposure to UK and overseas equities of 80 per cent, and of 8 per cent to UK and overseas fixed coupon bonds. Preliminary figures for 1994 suggest that equity exposure has declined to 76.5 per cent and the bond exposure is up to 9.6 per cent (despite underperformance by bonds).

WM's analysis of investment policy during 1994 shows that the cutback in equities was achieved almost entirely through net sales in the US and Europe. UK holdings were hardly changed. As for bonds, there was almost as much buying overseas as in the UK.

Curiously, as UK pension funds move one way, US funds are shifting in reverse. The latest flash report from Greenwich Associates, the Connecticut consultants, confirms that US corporate pension funds were big buyers of foreign equities in 1994. It also shows that they were *sellers* of dollar bonds, with a tumble in the average portfolio exposure from 26.4 to 21.1 per cent.

Relative value changes in 1994's bond bear market will have exaggerated this strategy shift, but a target bond exposure of 20 per cent is indicated for 1997. Public sector funds have a much higher 1977 target of 29 per cent but the decline from the 43 per cent level of 1991 is even sharper.

We do not have a transatlantic consensus in place yet, but similar inflation levels in the US and the UK, and greater commonality in attitudes to international diversification and to solvency testing, are leading to obvious convergence.

A theme of Schroders' strategy document is that strategic shifts may feed back into underlying asset performance. A switch from equities to bonds in the UK could prove self-justifying. But in a global market local distortions can be ironed out. The effects, the managers expect, will be limited. Don't all rush at once.

DnB rejects state payout call despite record profits

By Karen Fossli in Oslo

Den norske Bank, Norway's largest commercial bank, yesterday announced record profits for 1994, but held its ground in refusing to meet state demands for a dividend payout ratio of 50 per cent of net profits.

The group instead stressed the need to bolster the bank's finances. The state has a 72 per cent stake in DnB.

DnB proposed a dividend of NKr1.25 a share, corresponding to 30 per cent of net profit. The total payout will be NKr801m ($120.5m), against the state's demand for more than NKr1bn.

Mr Sigbjoern Johnsen, finance minister, refused to comment on the proposal.

Mr Ole Lund, DnB chairman, emphasised the need to improve the bank's financial strength in the face of fierce competition from foreign banks, which have built up a 28 per cent share of the domestic corporate loan market. This compares with less than 25 per cent held by Norwegian commercial banks.

Mr Lund said DnB needed to lift its long-term debt rating from A3, one step from the lowest debt rating assigned.

However, he said DnB would aim to distribute dividends equivalent to roughly half of annual profits once its financial strength reached a satisfactory level.

"In the opinion of the board, it will be in the shareholders' interests that the bank conducts a long-term policy based on stable, and preferably increasing dividend payments," Mr Lund said.

DnB last year recorded a near three-fold increase in pre-tax profit to NKr2.69bn from NKr982m in 1993, helped by the reversal of NKr1.33bn loan loss provisions at the gross level, net reversals of NKr114m, and a 45 per cent reduction in the volume of non-performing loans to NKr5.7bn.

Net interest income fell to NKr4.74bn from NKr5.37bn, while other operating income was cut to NKr2.45bn from NKr3.49bn.

DnB said new loan losses of NKr2.1bn were recorded in 1994 and warned that many customers were still in a weak financial position.

Following the proposed allocation of profits, DnB's core capital ratio at the end of 1994 rose to 7.4 per cent from 5 per cent at the end of 1993, based on risk-weighted assets and off-balance sheet exposure of NKr132bn.

The bank plans to lift the ratio to 8 per cent.

Mr Bjoern Skogstad Aamo, head of the Banking, Insurance and Securities Exchange Commission, the finance sector watchdog, recently challenged banks to achieve a core capital ratio of 10 per cent.

Lex, Page 14

Huhtamaki result hit by N American sports strike

By Christopher Brown-Humes in Stockholm

The affects of strikes in the North American baseball and ice hockey leagues had repercussions in Helsinki yesterday, hitting the 1994 results of Huhtamaki, the Finnish consumer products group.

Profits after financial items fell 13 per cent to FM442m ($94m). The figures were worse than expected and pushed the group's shares down 6 per cent to FM146.

The strikes disrupted important year-end sales of collectable sports cards supplied by Leaf, Huhtamaki's confectionery unit.

"If you lose a business where you have reasonably good margins you soon see it on the bottom line," Mr Timo Peltola, Huhtamaki chief executive, said.

Leaf is the fourth largest supplier of baseball and ice hockey cards in North America. The strikes cut Leaf's North American sales by 16 per cent to FM2.63bn, reducing the unit's overall sales by 1 per cent to FM4.97bn.

Huhtamaki's total sales rose 4 per cent to FM8.3bn, due a 23 per cent increase at the company's Polarcup packaging division.

Group profits were also hit by rapid increases in packaging raw material prices, which squeezed margins; a publicity scare which led to a sharp fall in US deliveries of contraceptive implants; and the stronger Finnish markka.

Mr Peltola said 1995 prospects were brighter, even though the US baseball strike had still not been settled and figures in the first four months would be below last year's levels because of the costs of product launches.

He said Huhtamaki had successfully integrated nine European confectionery units bought from Sweden's Procordia in 1993 and underlying business growth was strong in the US and European confectionery markets.

Group sales in 1995 are forecast to reach FM9bn, with earnings per share above the FM12.16 achieved last year.

Strong European airbag sales help Autoliv lift earnings to SKr680m

By Hugh Carnegy in Stockholm

Autoliv, Europe's leading supplier of car seatbelts and airbags, yesterday reported a near three-fold increase in profits for 1994, just nine months after it was launched on the Stockholm stock exchange.

The Swedish company returned a profit before tax of SKr680m ($92m), compared with SKr240m in 1993.

Until last May the company was wholly owned by Electrolux, the home appliance group that is controlled by Sweden's powerful Wallenberg family.

Sales rose 68 per cent to SKr8.9bn from SKr5.3bn.

The operating margin rose to 7.4 per cent from 5.8 per cent.

Autoliv announced a first dividend of SKr3 per share.

The result matched expectations for a company which was one of the star performers on the Stockholm market last year after 100 per cent of the company was floated by Electrolux on the Stockholm exchange's secondary "O" list.

Following the float, Autoliv's shares slumped below their SKr180 a share offer price to SKr165, but then began a rapid climb. The shares slipped SKr2.5 yesterday to close at SKr268.

Autoliv's most dynamic operations are in airbags, the car safety devices which are enjoying strong demand in Europe. Airbag sales by Autoliv to vehicle manufacturers rose to SKr4.1bn last year from SKr1.3bn in 1993.

Sales of seat belts rose 19 per cent to SKr4.7bn from SKr4bn.

Autoliv has 17 production facilities in 10 countries and claims a 50 per cent share of the European market for seatbelts and more than 25 per cent of the airbag market.

Even if 1994's strong advance is not repeated, analysts still tend to look favourably on Autoliv

Market share elsewhere is much weaker, especially in the US and Japan where it has negligible penetration of the airbag market and about 5 per cent of the seat-belt market.

However, the company warned that falling prices for airbags and rising raw material costs would squeeze margins in 1995.

"It will be difficult to beat 1994's increase for another year," said Mr Gunnar Bark, chief executive. "Over the past 13 years we have averaged 33 per cent growth every year. 1994 was a year when quite a few new car models were launched in Europe, so we have to dampen expectations a little."

However, even if 1994's strong advance is not repeated, analysts still tend to look favourably on Autoliv.

"There should be lots of growth if they can maintain their leading position and continue to be innovative," said Mr Gunnar Andersson, analyst with Handelsbanken in Stockholm.

In the mature seat belts market, growth will mainly have to be achieved by adding value through technical additions, such as Autoliv's new "pre-tensioned" belts which lock just before impact.

The company sees much growth potential in airbags, where penetration of front-seat installation is still below 50 per cent in new cars in Europe.

New developments, such as side-impact airbags and whiplash protection are under way.

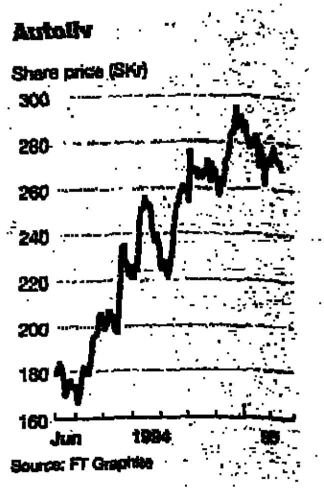
Last year, Autoliv teamed with Volvo, the Swedish carmaker, to produce the first side-impact airbag brought to market in the world.

The company has been a success story so far. But its new-found position as a public company may yet have its downside.

It is 70 per cent owned by foreign investors – one of the highest levels of foreign investment in a quoted Swedish company. This means that it could be exposed it to sudden market fluctuations if its performance falters.

"Of course we have a higher exposure, we are living closer to the market now," said Mr Bark.

"But I think it is important not to be too influenced by that. Our intention is to continue to maximise our long-term potential."



Setback for German unit of ABB

The German division of Asea Brown Boveri (ABB), the Swiss-Swedish engineering group, recorded a fall in profits and turnover in the first nine months of 1994, writes Michael Lindemann in Bonn.

The company blamed fewer orders for power stations and locomotives, and greater competition in international markets.

Turnover for the nine months ending September 30 fell 3 per cent to DM6.51bn ($4.3bn) from DM6.7bn a year earlier.

The company said profits were lower but declined to give any details. New orders for the period rose 6 per cent to DM7.62bn.

However, the group, one of the largest within the ABB conglomerate, said full-year figures, to be published on May 3, would be more representative than the nine-month results.

It noted that larger contracts were traditionally closed towards the end of year.

Danish banks warn over market reform

By Hilary Barnes in Copenhagen

Danish mortgage banks have warned that if reforms to the Copenhagen Stock Exchange are not satisfactory they will set up an alternative exchange for bond trading.

The reforms would end the stock exchange's legal monopoly. The Danish market is the world's ninth biggest for bonds, and includes a large mortgage bond market.

Differences over the reforms, which comply with the EU's investment services directive, came to a head this month.

A joint committee of issuing houses, institutional investors and trading houses, set up by the government, was unable to agree on a reform proposal to submit to Ms Mimi Jakobson, the minister for business and industry. The minister will therefore present her own compromise reform bill to parliament, probably within the next few weeks.

The aim is to make the Copenhagen Stock Exchange a joint stock company in which issuing houses and institutional investors each hold a 20 per cent stake and brokers the remaining 60 per cent.

A stock exchange council would also be formed to draw up the operation rules for the exchange.

Issuing houses and institutional investors are worried that the council will not take their interests sufficiently into account and that the decision-making process will be cumbersome.

"If the council cannot take decisions and the stock exchange cannot react swiftly to adapt to changes taking place internationally, it will not be able to function satisfactorily," said Mr Torben Gjede, managing director of the Association of Mortgage Banks.

"We must be able to sell our bonds through a stock exchange which functions well. If we can't, then we shall have to consider setting up our own exchange," he added.

Austria ready to sell bank stake

By Ian Rodger in Zurich

The privatisation of Creditanstalt-Bankverein, Austria's second largest bank, moved nearer yesterday when Mr Ferdinand Lacina, the Austrian finance minister, said he was ready to sell the government's remaining 70 per cent voting stake. He has for three years been considering the best way of selling the stake.

Viennese bankers suggested the sale could raise up to Sch14bn ($1.3bn), with about one-third of it coming from a secondary public offering.

Mr Lacina, who is searching for funds to reduce a widening federal deficit, indicated he no longer opposed a secondary public offering of part of the government's stake.

This is a turnround for the socialist minister, who last June described the proposal of a secondary offering as "absurd and immoral". He then insisted the government was not willing to sell its entire stake.

A consortium of corporate investors led by EA Generali, the Vienna insurance group, and First Austrian Bank last year offered Sch7.5bn for slightly more than half the government's stake. Last week, the consortium indicated it would prepare an offer to buy the entire stake with the intention of selling off much of it to the public.

Mr Lacina said whether the new owners held on to the entire 70 per cent was "their business".

The only other group known still to be competing with the Generali consortium is Allianz, the German insurer. CS Holding, the Swiss financial services group, made an offer last spring, but withdrew in September claiming that in Austria's highly politicised business environment its proposal could not get a fair hearing.

Viennese bankers said the timing and terms of the privatisation could still be difficult, with the only practical period this year for such a large public offering being in early summer.

Two other large privatisations, of the Böhler-Uddeholm special steels group and the VA Stahl integrated steelmaker, are planned for March and October respectively.

Sabena deal possible soon, says Swissair

By Ian Rodger

Swissair, the quoted Swiss airline negotiating the purchase of a large minority stake in Sabena of Belgium, said it was possible a deal could be completed within two weeks.

However, it considered this time period – suggested by Mr Pierre Godfroid, Sabena chairman, in an interview with a Swiss newspaper – as unlikely. "We do not exclude it, but we think it is an optimistic timetable," Swissair said.

Swissair has indicated it would cut the value of its offer for Sabena following the latter's failure to win government approval to cut costs by paying its pilots in Luxembourg.

INTERNATIONAL COMPANIES AND FINANCE

Heart trouble at Pacific Dunlop

The group faces legal action over its pacemaker, writes Nikki Tait

Opinions have long been divided over Pacific Dunlop, the Melbourne-based conglomerate.

For some – notably politicians – it is a good example of an Australian company which managed to build on its former core business (tyres), adjust to tariff-cutting at home and penetrate Asian markets long before these became popular.

For others, it is an agglomeration of unrelated interests, with a patchy record in terms of recent diversifications and where management quality is in question.

Yesterday, as the shares fell 3 cents to A$3.01 on news of a flat first-half profit before abnormals, there was little doubt which view was in the ascendancy.

The share price stands only a few cents above its 52-week low, and is almost half the level seen in January last year. Over the past six years, Pacific Dunlop shares have gone nowhere.

In part, this can be blamed on the troubles at Telectronics, the US-based pacemaker business Pacific Dunlop bought in 1988. Problems came to a head late last year, when the company announced that it had discovered that certain leads connecting the pulse generator (which electronically stimulates the heart to the heart tissue) might be faulty. At that stage, it knew of lead failures in seven patients, and two of these pacemaker recipients had subsequently died. A product recall ensued.

Since then, Pacific Dunlop has set up an advisory committee to assess the extent of the problem. Last month, this found that in a screened group of 525 patients, about 12 per cent of leads showed signs of fracture, although in some cases there were no signs of protusion. The company set aside A$40m (US$30m) to cover the costs of having all recipients examined and then monitored, and the leads removed if necessary.

This process is still in its early stages. The company said yesterday that it had located 90 per cent of Australian recipients, but was unable to put a figure on the worldwide situation. (The original implanted patient population was 42,000, split almost equally between the US, Europe and the rest of the world.) To date, 200 leads have been removed, although "in general, extraction was not being recommended".

But, already, lawyers have been gathering. PacDun said yesterday that six separate sets of legal proceedings had been instituted in the US. These will probably be merged into a class action, although this has not happened yet.

Telectronics says it will contest the legal proceedings, arguing that it complied with all regulatory requirements and had US Food and Drug Administration approvals for its products.

Much may ultimately depend on how well this defence stands up. But in the meantime, there has been no provision for legal costs – indeed, PacDun has yet to appoint a law firm to represent its interests – and while the company says that it has product liability insurance policies in place, it declines to release details.

Yesterday, PacDun executives appeared aggrieved that the domestic market had made so much play of the Telectronics issue. They pointed out that class actions were commonplace in the US. Mr Philip Brass, managing director, suggested that over-reaction in adverse circumstances would simply drive Australian companies away from certain types of high-tech business.

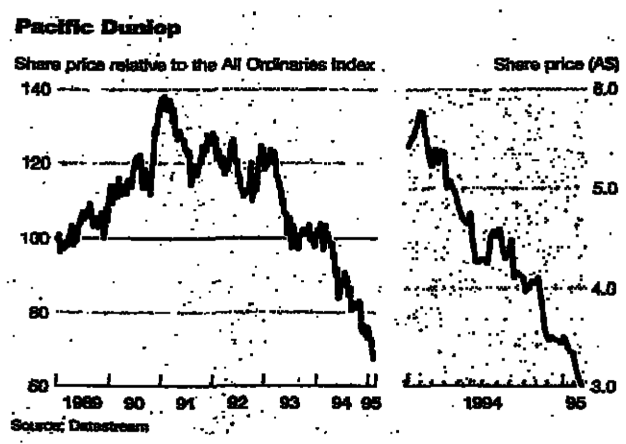
But, while there is some truth in this complaint, local analysts see things differently. First, there is concern at the uncertainty surrounding the Telectronics situation: "You just can't put a number on the potential damage," wailed one pundit yesterday. Second, they note that the issue has arisen at a time when relatively little else is going in the company's favour.

Problems with Pacific Dunlop's 1991 diversification into food, for example, were known long before the Telectronics' troubles emerged. Nevertheless, Mr Brass confirmed yesterday that PacDun does not expect this division to live up to original expectations, and earn the desired 9 to 11 per cent gross margin on sales, for another two years.

Quite separately, the company is mired in a dispute with Australian authorities over its accounting treatment for goodwill. Some analysts also appear to have been surprised by the first-half increase in interest charges, although others said they were aware of PacDun's decision to lock into new facilities as the interest rate cycle turned up.

All in all, a fair amount of profits downgrading appeared to be under way yesterday. Pacific Dunlop's own statement pointed to margin pressure as commodity prices rise, and said only that the company would be "striving" to beat its 1993-94 profit of A$307m.

Some analysts were already pitching below that, around the A$300m mark.



Flat first-half profit

Pacific Dunlop yesterday announced first-half profits of A$151.3m (US$112.7m) after tax but before abnormals. In the first half of 1993-94, the comparable figure was A$150.5m, writes Nikki Tait.

After a pre-tax abnormal charge of A$45.5m, largely to cover medical costs related to the problems at the Telectronics subsidiary, bottom line profits were down by 24.4 per cent to A$113.8m. A year earlier there was a pre-tax abnormal charge of A$521,000.

Total operating revenue was 5.7 per cent higher at A$3.78bn, while earnings per share before abnormals fell to 14 cents from 14.4 cents.

Operating profits rose 2.5 per cent overall, to A$227.6m, with the consumer goods, distribution, tyre and battery, and latex divisions all posting advances. The food interests also showed signs of improvement. However, operating profits in the building and construction group fell to A$80m from A$86m, and the medical division, to A$12m from A$16m.

Interest charges rose to A$41m from A$37m. Currency movements are estimated to have dented profits by around A$5m to $10m, and a change in accounting policy on employee entitlements cost A$2.87m after tax.

Australian coalminer calls in administrator

By Nikki Tait in Sydney

Clutha, the troubled Australian coalminer whose shares were suspended earlier this month, yesterday called in the administrators.

It said that directors and senior management were working with the administrator – an accountant from Coopers & Lybrand – on an operational and financial review of its business. A statement would be provided to creditors on February 21, it said.

The situation at Clutha, which started as a management buy-out from BP Australia 10 years ago, has been grave for many months. Like many coal producers, it has been suffering from the price and volume pressure exerted by Japanese customers in recent years. This, coupled with its lack of financial resources and accidental damage at two mines, in unconnected incidents, left it in a parlous state.

More recently, production at its lossmaking Burragorang mines has fallen significantly due to the need to meet more stringent regulations relating to contained gas levels in the coal. Clutha, which has been trying to reach agreement with unions over these conditions, warned two weeks ago that the situation meant that there would be no imminent return to profitability for the company.

Its shares were suspended last week, after the price plunged to a record low of 14 cents.

Stanbic sets out plan for restructuring

Standard Bank Investment (Stanbic), which yesterday reported strong growth for the past financial year, said it was consolidating its South African banking operations into the Standard Bank of South Africa, which would be divided into separate wholesale and retail businesses, agencies report from Johannesburg.

Stanbic, South Africa's second-largest banking group, said the restructuring was being initiated immediately, although its completion would take "some time".

"The change recognises the growing complexity of banking and financial services worldwide," it said.

The bank said the need for a distinction between wholesale and retail market demands had become evident.

The overseas operations of Stanbic would not be affected by the restructuring, it said.

Stanbic's net income for the year advanced to R1.03bn ($290m) from R859m in 1993. Profit at the pre-tax level rose to R1.510bn from R1.277bn. Bad and doubtful debts were R408m, down from R477m.

San Miguel ahead 41%

By Edward Luce in Manila

San Miguel, the Philippine beer and soft drinks manufacturer, posted a net profit of 4.93bn pesos ($197m) in 1994, a 41 per cent increase over the 1993 figure and one which reflected the Philippine economy's healthy growth last year.

Consolidated net sales at the Philippines' largest private company rose by 12 per cent to 68.4bn pesos in 1994, further strengthening the brand's stranglehold on the domestic beer, ice cream and soft drinks market.

Non-recurring profits of 4.93bn pesos included a gain of 6.32bn pesos from the sale last year of a plant site in Hong Kong.

Australian bank posts strong advance at six-month stage

By Nikki Tait

Commonwealth Bank of Australia, the large, partially-privatised commercial bank, yesterday reported profits after tax and extraordinary items of A$454.4m (US$338.47m) for the six months to end-December. This compared with A$317.9m struck in the corresponding period of 1993-94.

Net interest income during the half-year rose by 5.3 per cent to A$1.49bn, while other income increased by 2.2 per cent, to A$739.5m. The bad debt charge fell by 34.8 per cent, to A$119.3m. Operating expenses were 2.8 per cent lower, at A$1.41bn.

The result translated into earnings per share of 49.7 cents, compared with 35.5 cents last time, and there is an interim dividend of 36 cents a share, against 24 cents a year earlier. The result was generally ahead of expectations, and the shares closed 14 cents higher, at A$8.60.

CBA said that the strongest growth during the half had come in the home loans market, where its portfolio increased by 6 per cent to A$25.7bn, although some market share was lost due to continuing price competition. The planned overhaul of the branch network has now been completed in most states, although Victoria will not be finished until July.

But while financial performance on the personal banking side was ahead of budget, on the business side the reverse was the case. CBA said growth had been "disappointing" with many companies continuing to use cashflow to fund new investment or repay debt.

The bank warned that, while growth in earnings during the second half of the year was expected, it would probably be at a slower rate than in the six months just ended. One reason would be a slowdown in the housing market, making CBA more reliant on business customers.

Burns Philp steady at half-time

By Nikki Tait

Burns Philp, the Australian group which has been steadily divesting "non-core" interests to concentrate on its food and ingredients operations, yesterday reported a first-half profit after tax and abnormals of A$76.7m (US$57.13m) in the six months to end-December.

This was virtually unchanged from the previous year's A$76.3m, although earnings per share, on a fully-diluted basis, were down to 16.2 cents from 17.2 cents. Sales were A$1.02bn, compared with A$1.5bn in the first half of 1993-94.

Burns said that the figures reflected the sales of its BBC Hardware retail stores in July, and the disadvantage of a stronger Australian dollar, although a significantly lower tax charge – A$4.6m against A$14.6m – partially offset these factors.

The sales downturn was entirely due to the disposal, and sales from continuing businesses rose by 13 per cent. Earnings at the pre-interest level from the continuing operations also increased by 17 per cent to A$112.4m.

The profit on the sale of the BBC business, and other divestments, totalled A$111.3m, but this was largely offset by Burns' decision to take a A$101.5m restructuring charge, so that the after-tax results included a net abnormal gain of only A$2.2m.

Burns said yesterday that it had decided to sell its antibiotics division, since it could no longer be a "long-term low-cost competitor" in this industry. Accordingly, it has written down the value of these assets by A$60m in the interim results.

The company yesterday indicated that further divestments of non-core operations over the next year were expected to raise around A$100m.

Mr Ian Clack, Burns managing director, said he was unaware of any potential predator on the share register; earlier this year, takeover speculation was rife, after heavy trading in the shares.

Recovery for Alcan Australia

By Nikki Tait

Alcan Australia, the aluminium smelter and metal fabrication group, yesterday announced a net profit of A$31.5m (US$23.46m) in the year to end-December, up from A$772,000 in the previous 12 months.

Total operating revenue rose from A$640.1m to A$721.9m.

At the operating profit level, before abnormal items and tax but after interest and foreign exchange gains/losses, Alcan moved into the black, registering a A$60.5m profit. A year ago, there was a A$260,000 loss.

The "primary" division made a pre-interest profit of A$29.2m, compared with A$1.22m previously, while the downstream operations contributed A$34m, as against A$23.1m. Abnormal items produced a A$7.97m loss before tax, compared with a A$6.83m loss in 1993.

Alcan said the result was the best for five years, and could be attributed to "higher primary metal prices, improved performance in downstream businesses and exchange gains on overseas debt".

● Elders Australia and Australian Metal Holdings have made a joint A$149m bid for Australian Agricultural Company, one of Australia's largest cattle station operators and currently controlled by Colonial Mutual.

However, AAC said that the price of A$10.50 a share was "disappointing". AMH, which owns 38 per cent of AAC, had earlier opposed plans by Colonial Mutual to sell its 51 per cent interest in the business at private tender.

Lodging & Gaming

Caesars World, Inc.
agreed to be acquired by
ITT Corporation
$1,785,000,000

Hospitality Franchise Systems, Inc.
distributed to its shareholders through a spinoff all the common stock of
National Gaming Corp.
$67,500,000

Natural Resources

Baker Hughes Incorporated
sold EnviroTech Pumpsystems to
The Weir Group Plc
$210,000,000

BJ Services Company
agreed to acquire
Western Company of North America
$500,000,000

Cabot Oil & Gas Corporation
acquired Washington Energy Resources Company from
Washington Energy Company
$168,000,000

Coflexip S.A.
acquired Stena Offshore N.V. from
Stena AB
$343,451,000

DEKALB Energy Company
agreed to merge with
Apache Corporation
$285,000,000

Dresser Industries, Inc.
sold its 64% interest in M-I Drilling Fluids Co. to
Smith International Inc.
$160,000,000

Hecla Mining Company
acquired
Equinox Resources Limited
$76,000,000

Nabors Industries, Inc.
acquired
Sundowner Offshore Services, Inc.
$100,000,000

NorAm Energy Corporation
sold its Natural Gas Pipeline System in Kansas to
UtiliCorp United
$25,000,000

North Canadian Oils Limited (subsidiary of Norcen Energy Resources Limited)
agreed to sell North Canadian Power Inc. to
General Public Utilities Corporation
$72,000,000

Novogas (subsidiary of Groupe Primagaz)
acquired LiquiPibiGas from a subsidiary of
Ente Nazionale Idrocarburi
$146,000,000

Oil & Gas Rental Services, Inc.
sold its Cargo Vessel Division to
Hornbeck Offshore Services, Inc.
$46,000,000

Panhandle Eastern Corporation
acquired
Associated Natural Gas Corporation
$830,000,000

Panhandle Eastern Corporation
acquired Winnie Pipeline Co. Intrastate Pipeline, SpindletopGas Storage Facility and Liquid Energy Corp. natural gas processing plant from
Mitchell Energy & Development Corporation
$120,000,000

J.R. Simplot
proposed to acquire the Class A voting common stock of
Box Energy Corporation
$48,752,000

Specialty Oil Companies
was acquired by
Quaker State Corporation
$130,000,000

Transco Energy Company
agreed to be acquired by
The Williams Companies, Inc.
$3,000,000,000

United Meridian Corporation
acquired
General Atlantic Resources, Inc.
$197,000,000

Westmoreland Coal Company
sold the assets of Kentucky Criterion Coal Company to
CONSOL Inc.
$81,000,000

YPF Sociedad Anónima
sold its interest in
The Rio Neuquén Oil and Gas Concession to
Compañia Naviera Peréz Companc SA
$160,829,000

Paper & Forest Products

Enso-Gutzeit Oy
acquired the 42.2% it did not already own of
Berghuizer Papierfabriek N.V.
$25,000,000

Mail-Well Corporation
a company formed by
The Sterling Group, Inc.
acquired American Envelope Company from
CC Industries, Inc.
$92,000,000

Mail-Well Corporation
a company formed by
The Sterling Group, Inc.
acquired the assets of G-P Envelope Holdings, Inc. from
Georgia-Pacific Corporation
$155,000,000

Power & Utilities

The Cincinnati Gas & Electric Company
merged with PSI Resources, Inc. to form
CINergy Corp.
$7,000,000,000

Delmarva Power & Light Company
agreed to acquire Conowingo Power Company from
PECO Energy Company
$150,000,000

Gas Ventures Advisers
sold a 51% stake to
British Gas Plc
Value not disclosed

Potomac Electric Power Company
acquired Columbia LNG Corporation from
Columbia Gas System Inc.
Value not disclosed

Public Service Company of Colorado
sold West Gas Gathering, Inc. to
Red Cedar Gathering Co.
Value not disclosed

The State of Queensland, Australia
valued the Gladstone Power Station which was subsequently sold to
Comalco Ltd.
$533,000,000

Real Estate

CRIIMI MAE, Inc.
agreed to acquire the mortgage businesses of
CRI, Inc.
Value not disclosed

Franchise Finance Corporation of America Partnerships
reorganized through the consolidation of 11 limited partnerships into a real estate investment trust
$817,000,000

Health and Retirement Properties Trust
acquired 14 retirement communities from
Host Marriott Corporation
$320,000,000

Highwoods Properties, Inc.
agreed to merge with
Forsyth Properties, Inc.
$169,200,000

The Horsham Corporation
acquired a 48% interest in
Trizec Corporation Ltd.
$479,000,000

Realty Income Corporation Partnerships
reorganized through the consolidation of 25 limited partnerships into a real estate investment trust
$404,000,000

The Shurgard Partnerships
successful defense in response to an unsolicited tender offer made by
U-Haul International, Inc.
Not applicable

Shurgard Storage Centers, Inc.
reorganized through the consolidation of 17 limited partnerships into a real estate investment trust
$387,000,000

Simon Property Group, Inc.
acquired three regional malls from
Corporate Property Investors
$153,000,000

Starwood Capital Group, L.P.
agreed to acquire a 70% stake in
Hotel Investors Trust
$300,000,000

Wellsford Residential Property Trust
acquired
Holly Residential Properties, Inc.
$249,354,000

Retail

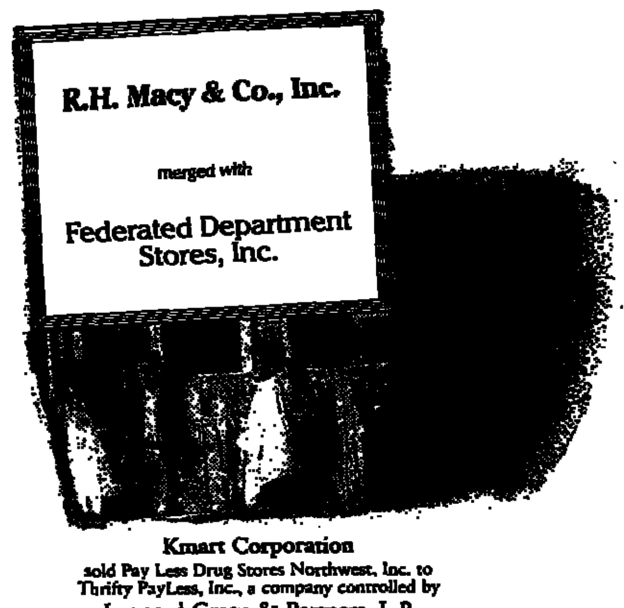
Adam, Meldrum & Anderson Co., Inc.
was acquired by
The Bon-Ton Stores, Inc.
$24,600,000

Calumet Holdings, Inc.
was acquired by
Wolseley PLC
$42,300,000

A.D. Clark, Inc.
agreed to be acquired by
American Stores Company
$35,000,000

Fleming Companies, Inc.
acquired Scrivner, Inc. from
Franz Haniel & Cie. GmbH
$1,085,000,000

Istituto per la Ricostruzione Industriale (IRI)
agreed to sell SME SpA to a consortium led by
Edizione Holding (Benetton Family), Mövenpick, Leonardo Finanziaria (Luxottica) and CREDIOP
(co-advisor)
$1,400,000,000



Kmart Corporation
sold Pay Less Drug Stores Northwest, Inc. to Thrifty PayLess, Inc., a company controlled by
Leonard Green & Partners, L.P.
$1,000,000,000

R.H. Macy & Co., Inc.
merged with
Federated Department Stores, Inc.
$4,100,000,000

Merrill Lynch Capital Partners, Inc.
acquired
P.C. Accessories Inc.
Value not disclosed

Supermarkets General Holdings Corporation
sold Rickel Home Centers to
Eos Partners, L.P.
Value not disclosed

E.M. Warburg, Pincus & Co., Inc.
acquired the Retail Operations of
Petrie Stores Corporation
$190,000,000

Wherehouse Entertainment, Inc.
a Merrill Lynch Capital Partners, Inc. affiliate acquired
Pegasus Music and Video, Inc.
Value not disclosed

Wherehouse Entertainment, Inc.
a Merrill Lynch Capital Partners, Inc. affiliate acquired
The Record Shop, Inc.
Value not disclosed

Woolworth Corporation
sold 122 Woolco discount department stores to
Wal-Mart Stores, Inc.
$300,000,000

Telecommunications, Media & Technology

Blockbuster Entertainment Corporation
merged with
Viacom Inc.
$8,400,000,000

Blockbuster Entertainment Corporation
acquired 22.7 million shares of Viacom Inc. Class B Common Stock to facilitate Viacom Inc.'s acquisition of Paramount Communications Inc.
$1,250,000,000

Blockbuster Entertainment Corporation
affiliates
Spelling Entertainment Group Inc. and Republic Pictures Corporation
combined by merger
$100,000,000

Cablevision of Chicago, L.P.
agreed to sell its cable television systems to
Continental Cablevision
Value not disclosed

Central Newspapers, Inc.
acquired an additional 18.7% stake in
Indianapolis Newspapers, Inc.
$35,910,000

General Motors Corporation
proposed to contribute 177 million Class E Shares relating to GM's Electronic Data Systems subsidiary to the General Motors Pension Fund
$6,239,000,000

GTE Corporation
agreed to acquire the remaining 10% stake it did not already own in
Contel Cellular, Inc.
$255,000,000

GTE Corporation
sold GTE Control Devices, Inc. to
Hammond, Kennedy, Whitney & Company, Inc.
Value not disclosed

Hyundai Electronics Industries Co., Ltd.
agreed to acquire the NCR Microelectronics Products Division of
AT&T Global Information Solutions Company
Value not disclosed

ITC Entertainment Group Inc.
was acquired by
PolyGram N.V.
$156,000,000

Liberty Media Corporation
merged with
Tele-Communications, Inc.
$4,400,000,000

MCI Communications Corporation
sold a 20% stake to
BT Plc
$4,300,000,000

ML Media Partners, L.P.
agreed to sell its California cable television systems to
Century Communications Corp.
Value not disclosed

NEXTEL Communications, Inc.
agreed in principle to acquire
Dial Page, Inc.
$1,100,000,000

NEXTEL Communications, Inc.
agreed to acquire the 800 MHz Specialized Mobile Radio licenses and ancillary assets in 50 states and the District of Columbia from
Motorola, Inc.
$1,659,000,000

NEXTEL Communications, Inc.
agreed to acquire
OneComm Corporation
$700,000,000

Pacific Telesis Group
advised on the formation of a special purpose trust to provide for the development of its consumer broadband network
$2,000,000,000

Revere Holding Corp.
a Merrill Lynch Capital Partners, Inc. affiliate acquired Revere National Corporation and Stair Outdoor Advertising Co. from
Castle Harlan Inc.
and the principal assets of
Mall Advertising & Promotions, Inc.
Value not disclosed

SBC International, Inc. Southwestern Bell Mobile Systems, Inc. (subsidiaries of SBC Communications Inc.)
have entered into a strategic alliance with
Compagnie Générale des Eaux
to form Compagnie Transatlantique de Radiotéléphonie Cellulaire and Washington/Baltimore Cellular Limited Partnership
$5,150,000,000

Tribune Company
acquired
Thomas C. Wright Inc.
$100,000,000

Tribune Company
acquired a minority equity stake in
Checkfree Corporation
Value not disclosed

Tribune Company/Qwest Broadcasting L.L.C.
agreed to acquire
WATL-TV (Atlanta) from Fox Broadcasting and WNOL-TV (New Orleans) from Quincy Jones Broadcasting in partnership with Time Warner Inc.
$167,000,000

The Westlink Company
a Merrill Lynch Capital Partners, Inc. affiliate acquired US West Paging, Inc. from
US West New Vector Group, Inc.
Value not disclosed

Textile & Apparel

Brentex Mills, Inc.
was acquired by
Mount Vernon Mills, Inc.
Value not disclosed

Lincolnshire Management, Inc.
acquired the Uniblend Spinners division of
United Merchants and Manufacturers, Inc.
Value not disclosed

Nine West Group Inc.
agreed on the basic economic terms for its pending acquisition of the Footwear Business of
U.S. Shoe Corporation
$600,000,000

Transportation

Air Partners II, L.P. and Continental Airlines, Inc.
along with Mesa Airlines, Inc. and Fidelity Management & Research Co., acquired a controlling interest in
America West Airlines, Inc.
upon its emergence from Chapter 11
$2,300,000,000

Commonwealth of Australia
provided advice in relation to privatization of
Qantas Airways Limited
Value not disclosed

Tiphook plc
sold its Container Operations to
Transamerica Corporation
(advised in relation to negotiations with U.S. bondholders)
$1,127,900,000

Merrill Lynch
A tradition of trust.

Charges on oil project hit Kvaerner

By Karen Fossli in Oslo

Kvaerner, Norway's second largest listed company, yesterday disclosed that full-year profits had been hit by NKr1bn ($150m) in provisions to cover losses on the Troll oil project and restructuring of the oil and gas division.

The group's A shares dropped NKr21 to NKr301 after the figures.

The provisions were much larger than expected. The NKr659m operating losses suffered by the oil and gas division, compared with NKr636m profit in 1993, were also higher than expected. The division's revenue fell NKr739m to NKr6.69bn.

Kvaerner, with interests ranging from engineering to shipbuilding, said it was selling its 26-strong gas carrier fleet, valued at NKr3.5bn, or an estimated NKr1bn above book value.

The buyer is the Oslo-based Havtor shipping group with which Kvaerner has collaborated for many years. Payment will be made in Havtor shares, giving Kvaerner at least a 45 per cent stake in the company. The deal will make Havtor one of Europe's biggest shipping companies. Kvaerner's long-term aim is to reduce its stake in Havtor.

Group pre-tax profits fell to NKr1.22bn last year from NKr1.32bn in 1993 as sales rose to NKr26.15bn from NKr24.58bn. Operating profit was cut by 44 per cent to NKr753m from NKr1.36bn.

Nevertheless, Kvaerner proposed to increase the dividend by NKr0.50 to NKr6 a share.

The group's four other divisions lifted operating profits but orders secured declined to NKr28.7bn in 1994 from NKr32.4bn a year earlier.

The shipbuilding business lifted operating profit to NKr1.2bn from NKr1bn on revenue of NKr2.52bn, against NKr11.2bn. New orders in this division in 1994 reached a record NKr15.1bn, against NKr14.7bn in 1993.

Fidelity to offer services on Internet

By Louise Kehoe in San Francisco

Fidelity Investments, one of the world's largest mutual funds companies, has announced plans to offer its services over the Internet, a global web of computer networks.

Users of the World Wide Web, the multimedia portion of the Internet, will be able to access Fidelity fund performance information and use software tools such as an asset allocation worksheet and college savings planning calculator to plan their investment strategies.

In addition, Internet will be able to download software for Fidelity Online Xpress, an online investment service through which they can place orders, get quotes and account balances or order prospectuses.

Fidelity hopes to enable investors to buy and sell its funds online.

However, the group is awaiting the introduction of a "secure" version of WWW software before it will begin electronic transactions via the Internet.

● *Fidelity's WWW address is http://www.fid-inv.com).*

The Limited confirms recovery with 31% fourth-term advance

By Richard Tomkins in New York

The Limited, the US clothing and specialty retailer, yesterday marked a strong recovery from its depressed performance of a year earlier by reporting a 31 per cent increase in net income to $256.7m from $196.3m in its fourth quarter.

The comparable period had seen a 20 per cent fall in net profits caused mainly by difficulties in the women's clothing operations. But in the latest period, The Limited succeeded in restoring profit margins to women's fashions in spite of the warm winter.

Group sales rose 5 per cent to $2.54bn and earnings per share rose 33 per cent, to 72 cents from 54 cents. For the full year, net income rose 15 per cent to $448.3m.

The Limited has 4,867 stores operating under the names Express, Lerner New York, Limited Stores, Victoria's Secret, Lane Bryant, Structure and Limited Too. Last year it opened 358 stores and this year it plans to open 430. Mr Leslie Wexner, chairman and chief executive, said in addition to restoring margins in the clothing division, the group had also continued the profitable expansion of its lingerie, men's, personal care and children's businesses. These increased sales 28 per cent in the full year, and contributed 55 per cent of operating income.

Bath & Body Works had achieved another "stellar" year, Mr Wexner said, and the global potential of the brand was demonstrated by the successful opening of five stores in the UK in partnership with Next, the UK retailer.

Cigna improves in final quarter

By Richard Tomkins

Cigna, the US insurance group that recently announced plans to pull out of the reinsurance business, reported a sharp improvement in its financial performance with operating income doubling in the fourth quarter.

Net income fell to $182m from $194m, but this was mainly because the comparable period's figure included realised investment gains of $102m relating to a restructuring of the investment portfolio. Operating income – defined as net income excluding all realised gains and losses – rose to $184m from $92m.

Earnings per share, including realised gains and losses, fell to $2.52 from $2.70. For the full year, operating income rose to $526m from $10m and net income income to $554m from $234m.

Mr Bill Taylor, chief executive, said the health, pension and life businesses produced strong operating income last year and were well positioned for 1995, but property and casualty performance, though improved, remained poor.

In November Cigna said it would sell or close its loss-making international reinsurance businesses.

In the latest quarter, the company's property and casualty segment reduced operating losses to $8m from $124m.

Strong sales lift Eli Lilly to $316m in final period

By Tony Jackson in New York

Eli Lilly, the US pharmaceuticals group, produced net earnings in the fourth quarter of $316m before special charges, or $1.09 a share.

In the previous year the company made a fourth-quarter loss of $524m as a result of restructuring and other charges.

Sales from continuing operations for the year were up 10 per cent to $5.7bn, with volume growth of 11 per cent and exchange rate gains of 1 per cent partly offset by a 2 per cent fall in selling prices. Net income for the year was $1.4bn, or $4.84 before exceptionals, an underlying increase of 7 per cent.

Sales growth in pharmaceuticals of 10 per cent for the year was led by the anti-depressant Prozac, where sales jumped 39 per cent to $1.67bn.

There was also growth in the anti-ulcer drug Axid, the human growth hormone Humatrope and Humulin, or human insulin.

Sales of antibiotics were down, with competitive pressure in the US more than offsetting growth overseas. US sales of the heart drug Dobutrex were down on the expiry of its patent.

US sales were up 6 per cent overall, the company said, in spite of downward price pressure resulting from the spread of managed care programmes and higher rebates on Medicaid.

Overseas sales rose 17 per cent.

Sales of animal health products rose 6 per cent in the year to $464m, led by growth in international markets. Spending on research and development rose 11 per cent in the year.

Consortium wins right to help Cadillac

By Bernard Simon in Toronto

A Toronto court has allowed a consortium comprising Blackstone Group, the New York-based investment manager, and the Ontario teachers' pension fund to begin negotiations on a C$1bn (US$714m) plan to revive Cadillac Fairview, the Canadian property developer which is under court protection.

The plan, which would give Blackstone and the pension fund a 31 per cent equity stake, has been endorsed by Cadillac's board.

However, it is unlikely to win approval in its present form from Cadillac's creditors and shareholders.

Mr Justice Farley predicted "rough-and-tumble negotiations" in coming weeks. A court order requires creditors and shareholders to vote on a final restructuring by April 7.

Cambridge Shopping Centres, a Canadian group, has indicated that it plans a rival offer. Cadillac rejected an earlier Cambridge bid.

The negotiations will be made easier by the withdrawal of a controversial bid by a real estate fund controlled by Goldman Sachs, the US investment bank. Other parties had expressed concerns about a potential conflict of interest, because Goldman is a Cadillac creditor, holding 28 per cent of its senior debt. Cadillac blamed Goldman for forcing it into court protection in December.

The Blackstone plan comprises C$312m of new equity, C$300m in new loans, C$300m from a rights offering to subordinated debenture hodings, and C$188m from the purchase of Cadillac's stake in two flagship developments, the Toronto-Dominion Centre in Toronto and Vancouver's Pacific Centre.

ITT identifies buyer of unit

ITT, the US conglomerate, has named General Electric Capital, the financial arm of General Electric, as the buyer of $1.8bn worth of its financial services businesses. The businesses consist of equipment finance, small business finance and commercial real estate services, writes Tony Jackson.

ITT said in December it would sell the businesses to an unnamed buyer for $1.6bn, when it sold a further $5.7bn of its financial service interests to Deutsche Bank of Germany and Norwest of the US.

The final piece of its financial services empire, reinsurance, has yet to be sold.

NEWS DIGEST

Packer raises stake in Fairfax to 13.72%

Mr Kerry Packer's Publishing and Broadcasting group yesterday confirmed that it had raised its stake in John Fairfax, the Australian newspaper group, to 13.72 per cent as a result of recent market purchases, writes Nikki Tait in Sydney.

PBL's previously-notified interest was 12.84 per cent.

In addition, Mr Packer's interests hold certain non-voting convertible debentures, which would take his stake in Fairfax to 16.4 per cent on a fully-diluted basis.

This breaches the 15 per cent level at which Mr Packer was thought to be pegged by Australia's media cross-ownership rules, and the situation is being examined by the Australian Broadcasting Authority. However, it seems likely that Mr Packer will argue the recent increase in his Fairfax stake does not amount to a "control" position at the publisher – which also has Mr Conrad Black, the Canadian media magnate, and Mr Rupert Murdoch on its share register.

Turnover at AGF rises to FFr69.4bn

Assurances Générales de France, the state-controlled insurer scheduled for privatisation, yesterday reported turnover up 6.4 per cent to FFr69.4bn ($13.19bn) in the year to December 31 1994, writes Andrew Jack in Paris.

Non-life premiums in France rose by 11 per cent to FFr19.5bn and total income from outside the country increased by 17.1 per cent to FFr23.6bn during the period.

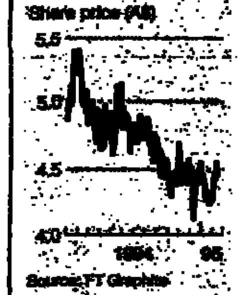
However, life assurance premiums in France – an area in which the company says its priority is profitability – dropped 4.4 per cent to FFr20.7bn, while total reinsurance income fell 5 per cent to FFr5.6bn.

Total turnover on a constant basis rose 2.2 per cent, with the larger overall increase coming from the consolidation for the first time of three acquisitions: AGF Union Fénix, SFAC and Assubel.

Internationally, it said comparable turnover rose 8.3 per cent largely due to the development of pension funds in Chile. It did not consolidate Aachener und Münchener during the period.

Separately, the French federation of insurance companies estimated that the total cost to its members of the floods affecting almost half of the country's regions last month were likely to be FFr4bn.

CSR plans to shake up sugar operations



CSR, the Australian group whose interests range from building products to aluminium, announced yesterday that it planned to relocate and restructure its sugar refining operations in Australia and New Zealand, writes Nikki Tait. Historically, CSR has been Australia's largest producer of refined sugar, but it has come under heavy pressure recently from Mackay Refined Sugars, a joint venture between the Mackay Sugar Co-operative and E.D. and F. Man, the London-based trading house, which runs a new low-cost refinery in Queensland.

CSR initially attempted to join forces with MRS, but the Trade Practices Commission blocked the deal. Late last year, MRS filed a statement of claim against CSR alleging that the company had tried to force it out of the market through predatory pricing. CSR denied any such conduct.

CSR said yesterday that it was introducing "new techniques" which would lead to "significant changes to the way refined sugar is processed". These would involve producing higher-grade raw sugar from mills in Queensland, where Australia's sugar is grown, and led to cutbacks in processing at city refineries.

CSR did not detail the "new" processes, but said that it would take a A$15.1m (US$11.24m) asset writedown, against reserves, as a result of the restructuring. It would also incur a A$16.8m abnormal charge after tax, to cover relocation expenses.

CRA awaits right time to reopen PNG mine

CRA, the Australian mining group, said yesterday that it intended to resume operations at the Panguna copper mine on the Papua New Guinea-controlled island of Bougainville "when conditions permit", writes Nikki Tait.

These would include political stability on the island, where secessionists have been fighting a guerrilla war with PNG forces, and a consensus in favour of mining among the community.

The Australian company added that mine production could probably begin within 18 months of a decision to reopen and it calculated the current cost of re-opening at Kina 350m-500m ($300m-$427m), about Kina 50m more than previously estimated. Local disquiet at diversion of wealth from the Panguna mine to mainland PNG was one of the catalysts for the outbreak of violence on the island.

National Gypsum earnings advance 88%

National Gypsum, the US plasterboard producer facing a bid from a group of North Carolina investors, said earnings in its fourth quarter rose 88 per cent to $26.5m on sales up 23 per cent at $167m, writes Tony Jackson.

The company said that while volume sales of wallboard in the quarter were down 2 per cent, prices were up 30 per cent year on year.

For the full year, earnings were $88m, or $3.85 a share, on sales of $631m. Comparable figures are not available, since the company emerged from bankruptcy in the summer of 1993.

Two days ago, the company rejected a second offer from Delcor, the North Carolina consortium, involving the injection of $150m into the company. An initial $940m bid made last November had already been turned down.

National Gypsum said: "We continue to believe that a sale of the company at this time would not be in the best interests of stockholders."

Alcatel Alsthom sales increase to FFr167bn

Alcatel Alsthom, the French transport, telecoms and engineering group, yesterday announced a 7 per cent increase in sales last year to FFr167.7bn ($31.87bn), writes John Ridding in Paris.

However, excluding the effect of the acquisition of STC, the underwater cables division, turnover was stagnant. Orders edged higher to FFr159.9bn for the year, compared with FFr157.8bn in 1993. On a comparable basis however, orders fell by 5 per cent.

The release of sales figures coincided with new allegations of overbilling by the company's cable subsidiary, Alcatel Cable, to EdF, the state electricity utility. Shares in the subsidiary fell sharply, losing FFr15 to FFr378. Alcatel rejected the report.

The allegations are the latest in a series which have included claims of overbilling for France Telecom by Alcatel CIT, the group's telecoms equipment subsidiary. Separately, Mr Pierre Suard, group chairman, has been investigated concerning the payment of work carried out at his private residences.

By division, turnover in the telecoms equipment slipped from FFr75.4bn to FFr75bn. In all other divisions, turnover increased.

The rise was strongest in the cables division and at GEC-Alsthom, the engineering joint venture between Alcatel Alsthom and GEC of the UK.

Bellcore to act as HQ for telecom consortium

Bellcore, the research arm of the regional Bell operating companies and other telecommunications companies, said it would act as headquarters for a new international consortium that plans to design a general framework to enable new worldwide telecommunications services to be more easily introduced and managed, reports Reuter from Red Bank, New Jersey.

The research laboratory said the Telecommunications Information Networking Consortium, or Tina-C, would consist of more than 40 international companies.

The aim of the consortium is to arrive at new standards for providing greater interoperability between international telecommunications systems.

Danone expands in Polish dairy sector

Danone, the French foods group, said it had become the largest producer of fresh dairy products in Poland after acquiring Warsaw's biggest dairy, Wola, and a 70 per cent stake in the Mildes dairy, the biggest producer in southern Poland, Reuter reports from Paris.

Danone did not disclose the terms but said the two dairies generated combined annual turnover of FFr170m ($32.1m).

St Lawrence turnround

St Lawrence Cement, the Canadian group controlled by Holderbank of Switzerland, returned to profitability in 1994 on the strength of a quickening economy and higher shipments and prices for most products in Canada and the north-eastern US, writes Robert Gibbens in Montreal.

Fourth-quarter net profit was C$5.7m (US$4.07m), or 13 cents a share, up from C$2m, or 4 cents, a year earlier, on sales of $175m, up 21 per cent. For all of 1994, net profit was $13.7m, or 30 cents, against a net loss of $7.8m, or 20 cents in 1993. Sales were $576m, up 13.5 per cent.

AT&T forms consultancy and network management division

By Alan Cane in London

AT&T, the largest US telecommunications operator, has formed a business to exploit its skills in consultancy and network management.

The unit, AT&T Solutions, will be headed by Mr Victor Millar, who has been credited with building up Andersen Consulting, the US-based business and technology consulting company, into an international company. More recently, he was head of the consultancy side of Unisys, the US computer and information services company.

Mr Millar will report to Mr Victor Pelson, chairman of AT&T's global operations.

The aim of AT&T Solutions is to provide a "one-stop shop" to large corporate clients, designing, building and managing communications networks in addition to consultancy and systems integration. It will include outsourcing – taking responsibility for a customer's systems and staff against an agreed level of service.

Outsourcing is expected to be a $77bn business worldwide by 1997.

It is AT&T's fifth business division, the others covering the company's traditional telephone business, manufacture of large switches, private branch exchanges and handsets and GIS, formerly NCR, the computer manufacturer.

The unit will be managed in the US by Mr Millar and by Mr Sergio Giacoletto, European president.

The unit begins business with more than 100 customers for advanced network management services with a total backlog of orders valued at more than $1bn. Yesterday it announced a seven-year, $160m contract with Great Western Bank to provide networking systems.

Competitors yesterday suggested AT&T was comparatively late in moving to services and consultancy. The Syntegra division of British Telecommunications, one of AT&T's chief rivals, has been in operation for two years.

COMPANY NEWS: UK

Buoyant chemical prices help group to show best quarterly performance since 1990

BP turns in 36% advance to £427m

By Robert Corzine

Buoyant chemical prices boosted British Petroleum's fourth quarter replacement cost profits to £427m, a 36 per cent rise on 1993 and the company's best quarterly performance since 1990.

The results, which were at the top end of analysts' expectations, took full year profits to £1.48bn, 32 per cent up on 1993's £1.12bn. The shares *closed down 7p at 419p*.

Fourth quarter earnings per share were 7.8p, compared with 5.8p in 1993. The full year figure was 27.1p (20.7p).

The results were achieved in spite of an 8 per cent fall in crude oil prices and a 21 per cent decline in refining margins, the steepest such fall in seven years.

The confident mood of the BP board was reflected in a 20 per cent rise in the quarterly dividend to 3p a share, against 2.5p in the previous three quarters and 2.1p a year earlier.

The dividend is still lower than the peak rate of 16.8p in 1992, but Mr David Simon, chief executive, said the company was committed to a "competitive" dividend policy.

Lord Ashburton, chairman, said BP was now generating substantial free cash flow, *enhancing the board's flexibility* in allocating the surplus between dividend growth, capital expenditure and further debt reductions.

The message from Mr Simon was that BP was on track to meet new performance targets set in December last year in spite of a tough operating environment in most market segments aside from chemicals.

The chemical profits of £252m were the highest since 1989.

Margins, which began to widen dramatically in the fourth quarter, were likely to improve further, at least in the early part of 1995.

Exploration and production profits proved more resilient than many analysts expected. Operating profits of £522m were five per cent up on the third quarter and the best since the end of 1990.

But full year operating profits of £1.87bn were down somewhat on 1993's £1.93bn.

Marketing margins were stable in spite of recent unseasonably warm weather in the northern hemisphere. Mr Simon said underlying demand for petroleum products was "fairly healthy," given the expectation of continuing economic growth in the industrialised countries.

The sharp decline in refining margins in the fourth quarter was mainly due to special factors in the US.

But the 20 per cent average decline over the year, attributed to new capacity coming onstream, was a "significant number," he said.

Strong cash flow, lower capital expenditure and disposal income allowed BP to repay $1.93bn last year. Debt, set to fall to $8bn by 1997, was down to $10.5bn at the end of 1994, with gearing at 60 per cent.

The reduction in debt led to a 20 per cent fall in interest charges last year to £542m.

BP is to expand its capital expenditure programme in 1995.

But Mr Simon said the company was using its assets more effectively, with an 11.5 per cent return on capital employed last year. This figure is toward the top of the industry range.

In addition BP was directing a greater share of its capital expenditure to fast growing markets in Asia and Latin America.

See Lex

LEX COMMENT

Cyclical Hanson

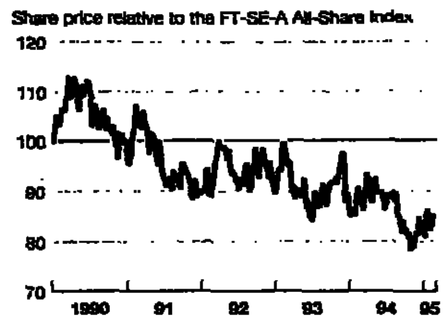
Once again, the momentum of profits growth at Quantum Chemicals is exceeding expectations. Increased contributions from Quantum and the propane business purchased with it added about £75m to Hanson's first quarter profits. Overall, Quantum should boost group earnings per share by about 13 per cent this year, demonstrating that Hanson can still add substantial value through acquisition, in spite of its size.

The problem for Hanson is what happens when Quantum's earnings cycle turns downwards. Taking out Quantum and the impact of the 1993 US coal strike, core profits growth came to about 16 per cent, against a headline figure of 58 per cent. Even this was flattered by bulk buying of cigarettes before the UK's second budget, artificially boosting Imperial Tobacco sales. Overall, the cyclical businesses performed well, apart from timber. But when the cycle turns, steadier businesses such as propane, coal and cigarettes will not prevent an overall profits decline.

With gearing down to 58 per cent, Hanson could handle a £2bn acquisition of a business with a solid balance sheet. Given its evident desire for UK non-cyclical earnings, its rumoured interest in electricity distributors is therefore understandable. This would smack of financial engineering – to off-set advance corporation tax write-offs – and would scarcely offer opportunities for the standard Hanson business turnround. Nonetheless, until the group can lessen the cyclical emphasis of earnings, its market rating is unlikely to improve.

Hanson

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Reuters advances 16% to £510m

By David Wighton

Reuters, the financial information and news group, reported a 16 per cent rise in 1994 pre-tax profits from £440m to £510m, but warned that underlying revenue growth would be slower in 1995.

Mr Peter Job, chief executive, said the year had generated "exceptional" revenue growth of 23 per cent to £2.31bn (£1.87bn). "It would be difficult to improve on that at the same rate of growth."

He said the group had benefited from strong growth in transactions products, record sales of information products and from significant acquisitions.

He also warned that the problems of some of Reuters *customers, particularly those* that had suffered from the fall in bond markets a year ago, would have some effect on its business.

"Common sense tells you that if a number of financial institutions are cutting back it must have some impact."

He said that the group's net new orders had peaked in the first quarter of last year, but added: "We have not been snowed under by a wave of cancellations." He also pointed to some positive trends including the recent strong turnover figures on the New York Stock Exchange.

Excluding acquisitions such as Teknekron and Quotron revenues grew by 17 per cent and *margins edged higher. Including* the lossmaking Quotron, operating margins slipped to 19.9 (20.3) per cent.

The acquisitions boosted revenues from the Americas by 49 per cent to £424m, helped by increased sales of information management systems and good growth from datafeeds and Dealing 2000. But the Americas' contribution rose only 6 per cent to £39m, excluding Instinet, the fast-growing equity dealing system, where profits rose 39 per cent to £53m.

Profits from Asia/Pacific were flat at £175m due to the costs of expansion in China and India, and the difficult trading conditions in Japan *where "a lot of foreign banks* are moving out". Profits from Europe rose 17 per cent to £413m. Revenues from emerging markets rose by nearly a third to £168m and Mr Job expressed confidence despite the problems in Mexico.

But Mr Job said that given the opportunities for investment further share-backs were not "at the top of our minds".

The £350m share buy-back in 1993 meant that the profit growth translated into a 20 per cent rise in earnings per share to 21.7p (18p).

The shares fell 8½p to 438½p yesterday.

See Lex

Tony Andrews

Peter Job: 23 per cent revenue growth was 'exceptional'

GKN severs its steel ties with £93m sale of UES minority

By Tim Burt

GKN, the engineering group, yesterday confirmed it was severing ties with the steel industry after almost a decade by selling its minority stake in UES Holdings to British Steel for £93m.

The disposal follows more than three months of talks between the two sides and closes a chapter on the history of United Engineering Steels, created in 1986 in the biggest government-backed "Phoenix" reorganisation of the steel industry.

"It is a momentous day and marks the end of steel in GKN," said Sir David Lees, chairman. British Steel, which has 63.9 per cent of UES, also welcomed the move and pledged to improve its financial performance.

GKN decided to sell its stake after seeing UES – which incurred losses of £48.1m in 1993 – move into profit last year. UES made pre-tax profits of £18.2m as rising demand for high grade engineering steel pushed turnover up from £591m to £658m.

Although Sir David admitted that GKN would show a £59.6m loss on the sale of its £152.6m investment in UES, he said it had got the best possible price given the cyclical nature of the industry.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Irish ‡	Yr to Dec 31	1,189	(1,232‡)	341.2	(195.9♦)	30.4	(20.2)	6.4	Apr 27	5.65	11	9.75
BP	Yr to Dec 31	-	(-)	2,281	(1,302)	28.8	(11.3)	3♦	May 9	2.1	10.5	8.4
Flying Flowers	Yr to Dec 31	14.7	(7.05)	1.82	(1.1)	7.69	(5.19)	1.6‡	Apr 11	1.08	2.36	1.08
Hanson	3 mths to Dec 31	3,155	(2,869)	272	(172♥)	4	(2.5)	3	Apr 6	2.85	-	11.7
Howard	6 mths to Oct 31	2.71	(3)	0.104	(0.037)	0.4	(0.14)	nil	-	nil	-	0.8
Reuters	Yr to Dec 31	2,309	(1,874)	510	(440)	21.7	(18)	6.1	May 2	4.95	8	8.5
St Modwen	Yr to Nov 30	30.9	(17)	13.2	(3.5)	9.2	(2.2)	1.1	Apr 14	0.7	1.6	1
Investment Trusts		**NAV (p)**		**Attributable earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
Fleming Overseas	6 mths to Dec 31	332.9	(360.6)	3.37	(2.53)	2.53	(1.91)	1.5	Mar 30	1.5	-	4.25
Kleinwort Overseas	Yr to Dec 31	288.5	(292.2)	2.77	(3.08)	3.45	(3.84)	1.9	Apr 28	1.9	3.4	3.4
NatWest Smaller	6 mths to Dec 31	112.52	(116.85)	0.716	(0.238)	1.52	(1.45)	1.125	Mar 31	1.125	-	3
TR Pacific	Yr to Dec 31	104.5	(121.2‡)	0.461	(0.667)	0.344	(0.52)	0.175	Apr 21	0.175*	0.175	0.175*

Dividends shown net. Figures in brackets are for corresponding period. ‡Irish currency. ‡Comparisons restated. ♦After £96.7m exceptional charge. ♥After £58m exceptional credit. *Equivalent after allowing for scrip issue. ‡Gross to non-Jersey residents. ♦Fourth quarterly.

SG Warburg sets up Beijing office

By John Gapper in London and Tony Walker in Beijing

Executives at SG Warburg, the investment bank, have started a review of operations which is expected to lead to job cuts following the resignation of Lord Cairns, the bank's former chief executive.

The bank also disclosed two initiatives in its effort to restore calm following the resignation at the weekend, which came in the wake of the failed attempt to merge with Morgan Stanley, the US bank.

It announced both the opening of a representative office in Beijing, and the recruitment of a new head of equity sales. The recruitment followed the defection of the two co-heads of equity syndication to Morgan Grenfell last week.

Mr Michael Gore, vice chairman, dismissed suggestions that the leadership upheavals would affect its Asian business. He said Warburg was determined to build on its solid foundation in China where it had been active since the 1970's.

Warburg's Asian staff, excluding Japan and Australia, had grown from 112 to 320 in four years and was still expanding. Mr Gore said China had a "number of world-scale companies" and remained an attractive investment destination.

The five-strong executive committee, led by Sir David Scholey, who has become executive chairman, is to meet this weekend to work on the review, which is thought likely to be completed by the financial year-end in March.

Warburg directors said they would be seeking ways of increasing revenue by selling a wider variety of products.

One director said it would "look hard" at UK operations where most costs lay.

COMPANY NEWS: UK

Quantum boost for Hanson first quarter

By Tim Burt

Hanson reported a sharp increase in first quarter profits following a strong performance by Quantum Chemical, its North American polyethylene subsidiary, and buoyant sales by Imperial Tobacco.

The Anglo-US conglomerate saw pre-tax profits rise from £172m to £272m, ($420m) on sales 10 per cent ahead at £3.16bn (£2.87bn) in the three months to December 31.

"This excellent result confirms our forward momentum. Quantum in particular produced an outstanding performance," said Mr Derek Bonham, chief executive.

The figures were flattered, however, by the distorting effects last time of the 1993 US coal strike, which wiped £66m off profits at Peabody and £68m of disposal profits.

Nevertheless, operating profits from continuing operations more than doubled from £148m to £321m, including a contribution of more than £80m (£25m) from Quantum, which succeeded in passing on large raw material price rises.

Those profits were also boosted by increased demand for Imperial's cigarettes, particularly in the UK, where the government's decision to hold two budgets persuaded retailers to build up advance stocks.

Mr Bonham warned that, in the absence of such factors this year, the group would not report the same rate of growth for the year to September 30.

Full-year profits are forecast to reach £1.25bn pre-tax.

In the first quarter, the only threat to that assessment was posed by flat profits from Cavenham, the timber division, and reduced sales by Suburban Propane, the US gas retailer, which suffered slack demand during unseasonably mild weather at the end of last year.

The group is likely to benefit from a lower tax charge due to accrued losses brought forward following the 1993 Quantum acquisition and an increased proportion of profits derived from North America.

Lex - Page 22

Scotia Hldgs acquires LipidTeknik

Scotia Holdings, the UK's second biggest biotechnology company by market capitalisation, has made its first acquisition, LipidTeknik of Sweden, in a deal worth up to £7m from Karlshamns, the Swedish food company.

The Swedish technology improves the solubility of Scotia's products, making it possible for them to be taken by the spoonful rather than in capsules.

The initial consideration is 1.5m shares with a maximum 2m shares payable, equivalent to about 3.2 per cent of Scotia's equity.

LipidTeknik is lossmaking. Scotia will write off £2m against reserves in the next two years.

North Electric bid decision welcomed

By David Wighton

The decision not to refer Trafalgar House's bid for Northern Electric to the Monopolies and Mergers Commission was welcomed by competition lawyers yesterday.

Mr Nigel Parr, a partner with City lawyers Ashurst Morris Crisp, said that to refer the bid would have been to use "a sledgehammer to crack a nut" and would have gone against the whole thrust of government merger policy over the last ten years.

And there there was cause for celebration at Swiss Bank Corporation's London offices. The decision pushes into the background the controversy over its dealings in electricity shares ahead of the bid.

However inquiries into the derivatives contracts agreed between Trafalgar and SBC continue. The inquiries centre on purchases of electricity company shares by SBC's marketmakers after its corporate finance department agreed a number of "contracts for differences" with Trafalgar.

Mr Parr added: "The [referral] decision is consistent with the government's competition reference criterion starting with the "Tebbit Doctrine" through to Mr Heseltine's own statements."

The bid for Northern appeared to involve no competition issues. But the electricity regulator raised concerns about his ability to carry out his statutory duties if Northern was part of a much larger conglomerate.

To address these concerns the Office of Fair Trading could have recommended to the Department of Trade and Industry that the bid be referred unless Trafalgar agreed to "behavioural undertakings" suggested by the regulator.

Under the recent Deregulation and Contracting Out Act these undertakings would for the first time have been legally binding. But because the OFT recommended it should not be referred the assurances given by Trafalgar to the DTI have no statutory basis.

Mr Parr said the decision appeared to reflect the OFT's healthy caution about making use of the new powers.

Allied Irish seeks further stakes in eastern Europe

By John Gapper, Banking Editor

Allied Irish Banks may take further stakes in banks in eastern Europe, it predicted yesterday while disclosing a rise in pre-tax profits to I£341.2m ($527m) in the year to December 31. The restated I£195.9m last time was after exceptional costs of I£96.7m.

Allied Irish, which has taken a 16 per cent minority share in Wielkopolski Bank Kredytowy, a Polish regional bank, said that it might look for further minority shareholdings in banks in the Czech Republic or Slovenia.

Mr Hugh Feeley, group general manager, said he "would not rule out" further moves elsewhere in eastern Europe. AIB attempted to buy a stake in Budapest Bank in Hungary last year.

A final dividend of 6.4p is proposed, giving a 12.8 per cent rise in the total to 11p (9.75p).

Total operating income fell by 3.5 per cent to I£1.19bn (I£1.23bn), because of a drop in the net interest margin from 4.83 per cent to 4.04 per cent.

Lydia van der Meer

Hugh Feeley, left, and Neil Dean: expect further growth in assets

This was mainly because of a squeeze on deposit margins in Ireland.

Mr Neil Dean, chief financial officer, said that virtually all the narrowing of the net interest margin had taken place in the first half of the year, and competition on Irish special savings accounts had now eased.

Loans and deposits in Ireland grew by 10 per cent, while loans in First Maryland Bancorp, its US subsidiary, grew by 5.4 per cent.

Mr Dean said the bank expected assets to continue growing at the same rate this year.

Income suffered from a poor performance in its capital markets division which contributed I£44.2m (I£56.9m).

Profits of AIB Bank, the Irish and UK arm, rose by 27 per cent to I£187.5m (I£148m), while those of First Maryland rose by 25 per cent to I£109.5m (I£87.7m).

NEWS DIGEST

Courtaulds £10m sale to Chemfab

Courtaulds, the international chemicals company, is selling its Lancashire-based Performance Fabrics business in two separate transactions.

Tygaflor, which supplies high performance fabrics coated with non-stick polymers, is to be sold to the Chemfab Corporation of the US for £9.7m ($15.03m).

In addition, Fothergill Engineered Fabrics, a specialist in technical textiles for thermal and ballistic protection and composite reinforcements, is being sold to private investors.

In the year to March 31 1994, combined turnover of these businesses was £16m.

Flying Flowers

Flying Flowers, the Jersey-based flowers-by-post group, has established links enabling it to add South Africa to its growing list of destinations.

The group, which produces about 5m standard carnation blooms a year, already has an international service covering Europe, Australia, New Zealand and the US.

My Kinda Town buy

My Kinda Town, the theme restaurant chain, is to pay £1.5m for Roland Holdings, owner of restaurants and bars including Beach Blanket Babylon, the Mwah Mwah Bar and Sec's and Checks.

The initial consideration is £1m cash, to be followed in March by a further £100,000 cash and £400,000 new ordinary shares in My Kinda Town.

For the year to May 31 1994, during which only Beach Blanket Babylon was trading, Roland announced pre-tax profits of £134,000.

Borland disposal

Borland International, a US software company, has sold its consumer software products side to Starfish Software, a new company headed by Mr Philippe Kahn, Borland's chairman, for an undisclosed sum.

Borland will receive a minority stake in Starfish, but will not be involved in its management. Borland will now discontinue its Simplify consumer products side and concentrate on software developers.

TR Pacific

TR Pacific Investment Trust reduced its exposure to Hong Kong in 1994, down from 19.8 per cent to just 9.1 per cent of the portfolio, and increased weightings in South Korea, Taiwan and Thailand.

The new year, however, had not been kind to the trust; the sharp reverses shown by east Asian stock markets since the year-end left net assets per share down further to 90.1p by January 31, representing a £20m decline in the value of the portfolio during the month.

Babcock finds lifeline in China

After the pain of a quick-fire restructuring in its energy division, the gain is emerging for Babcock International in the shape of $500m of new business building coal-fired boilers for Chinese power stations.

Last week, the company announced it would build four boilers worth $300m for two new power stations in Shandong Province. Two weeks earlier, Babcock picked up $200m of work building four more boilers, for two power plants in Liaoning Province.

The contracts, won by Babcock Energy as part of a consortium with Westinghouse Electric, are "letters of award" and have yet to be formally signed, although signing of the Liaoning order is due this month.

For Babcock Energy, they are a lifeline. No boiler manufacturer can afford to ignore a Chinese market which, in 1993, accounted for 58 per cent of worldwide coal-fired boiler orders. But pressure on prices, and hence margins, are intensifying, increasing the need for suppliers to reduce costs.

Winning the contracts is due in large measure to the turnround at the energy division since last April. This has been a vital part of the new management's three-year corporate plan, unveiled with a £78.5m rights issue for reviving the group and strengthening the balance sheet.

"The key thing for winning these orders has been improving our competitiveness," he says. "The division has now proved that it can deliver."

Technology has also played its part, says Mr Nick Salmon, group chief executive. Last week's contract was for boilers using anthracite rather than bituminous coal. "Few of our competitors have a good track record [in anthracite boilers]."

The energy division's restructuring recognises market trends that increasingly oblige western suppliers to share work with manufacturers in the country where orders are won.

China's Wuhan Boiler Works, with which Babcock Energy has a co-operation agreement, will do some work on the latest contracts.

The energy division needed some big orders to convince the City that the restructuring was worthwhile.

Now, the Chinese orders will keep Renfrew loaded for three years and provide work for the engineering business in Crawley, Sussex, for two years, says Mr Parker. He stresses, however, that Babcock has not simply bought work at no profit margin. "Recently we have turned down three heat recovery plants, worth probably £80m of business, because margins were insufficient," he says.

The margins on the Chinese contracts are satisfactory, he says, although profits will be "back-end loaded" over the next two to three years. So it will be a while before they have an impact on group pre-tax profits, which were a modest £2.8m for the half-year to September 30, compared with a loss of £9.2m a year earlier.

Andrew Baxter

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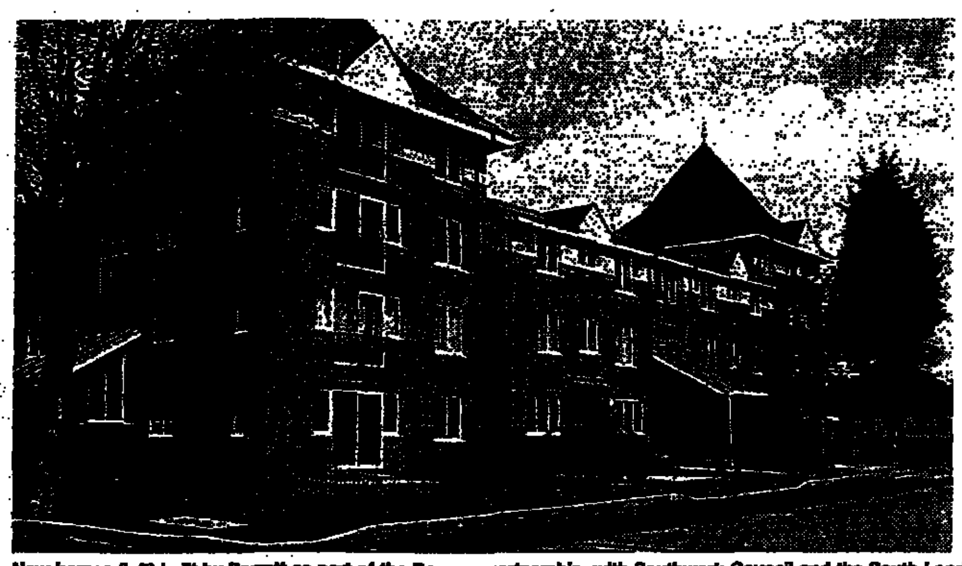



New homes (left) built by Barratt as part of the Bonamy partnership, with Southwark Council and the South London Family Housing Association... and a development (right) in Derby by the Derwent Housing Association

Principal providers for the insecure

Investment in the sector has risen dramatically in recent years, writes **Andrew Adonis**. But associations face some daunting challenges

Housing associations are now the UK's principal providers of new social housing. Like building societies, they started off as co-operative, small-scale providers of bricks and mortar for the less affluent. No one still thinks of the Leeds or Halifax, let alone the Abbey National, in those terms, yet the image has stuck to housing associations.

How far does the image belie today's reality?

It is misleading in terms of scale. Housing associations now own more than 800,000 homes, some 4 per cent of the total housing stock. In 1992-93, some 62,000 new dwellings were completed by associations; three times as many as in 1981-82. The largest associations – North British, Anchor and North – boast upwards of 20,000 properties each, which puts them on a par with larger local authorities.

Although the majority of housing associations remain tiny – 60 per cent own fewer than 25 homes – two-thirds of all association homes are owned by just 88 associations, so the majority is atypical from the perspective of tenants and investors.

Investment in the sector has risen dramatically since the 1988 Housing Act, which established the present funding regime. Some £9.7bn of public money has been invested, channelled through the Housing Corporation, the quango responsible for regulating the sector and disbursing government grants to associations, in respect of its mixed funded programme. A further £3.9bn has been raised in private finance to supplement the government spend, and another £2.2bn has been secured to finance the transfer of local authority homes to housing associations.

Each year the government decreases the so-called "grant rate", the proportion of funding for new capital projects it is prepared to make available through the corporation. In 1988, the grant rate averaged 75 per cent; in 1995-96 it will have fallen to 58 per cent. Associations have a private finance requirement of more than £5bn over the next three years. For the larger associations, credit reviews are as important as rent reviews, and investor interest shows no sign of abating.

Mr Anthony Mayer, chief executive of the Housing Corporation, hails housing associations as trail-blazers in the forging of public-private partnerships of the kind the government wants to see across Whitehall through the Private Finance Initiative (PFI) launched three years ago by Mr Norman Lamont, then chancellor. "Rents are for real, so the security is strong," he says. "It is a remarkable success story, with the private finance completely unguaranteed."

When it comes to objectives, however, housing associations are true to their origins. Their clientele remains the poor and insecure, now broadly defined as the lower quartile of households in terms of income. Indeed, many associations – particularly the smaller ones – are unhappy with the race to the market over the past five years. They argue that the accompanying rent increases deepen the poverty they exist to ameliorate, and that investment is being skewed towards associations with the most impressive asset portfolios and the least adventurous ideas.

The concentration of investment in the larger associations is undeniable, but the gainers do not accept that a lack of initiative has been the result. "We place a high premium on innovation, and on meeting 'niche' needs," says Mr George Barlow, chief executive of Peabody Trust, London's largest association.

Peabody, founded by a Victorian Anglo-American philanthropist, epitomises both the sector's diversity, and the needs it confronts. The trust is far more than a housing association, pioneering a variety of integrated housing, youth and retraining projects.

With valuable estate in central London, Peabody and its associated ventures have raised more than £185m of private finance in the past three years, out of a total investment programme of nearly £300m. More than half of the association's new tenants now have an annual income of less than £5,000, and two-thirds are on state benefits. Peabody's average rent is about £37 a week.

Private finance and a more commercial approach to development have not, therefore, turned housing associations into vehicles for rejuvenating the private rented sector for middle-income earners.

Government grant to housing associations*

Year	Sum	HAG**
1990-91	£1.06bn	79%
1991-92	£1.59bn	77%
1992-93	£2.37bn	72%
1993-94	£1.8bn	67%
1994-95	£1.5bn	62%
1995-96	£1.181bn	58%
1996-97	£1.178bn	n.a.
1997-98	£1.192bn	n.a.

* Channelled through the Housing Corporation
** Maximum percentage the government can contribute to the funding of a house
n.a. = not available
Source: Housing Corporation

Housing Corporation chief Anthony Mayer: 'remarkable success story'

Whether private renting – long stymied by rent control and the English obsession with home ownership – will revive is a key issue for housing policy and the housing market.

The end of rent control, the erosion of mortgage tax relief and the collapse of the 1980s property boom have reduced the appeal of home ownership, particularly for those with mobile jobs and/or separating families. On the other hand, at 16m the number of owner-occupied dwellings is at its highest number ever – two-thirds higher than in 1971 – and the British retain a deep economic and psychological attachment to their title deeds.

Whatever the future of the private rented sector, it is unlikely to involve housing associations to a significant degree. Housing investment trusts, private quoted companies enjoying government tax incentives, are in vogue as a means to that end.

Yet demand for social housing is unlikely to slow. Between 1971 and 1993, the proportion of the population with an income below half the average doubled to 21 per cent. While real average incomes grew by 46 per cent over the period, the income of the 25th percentile increased by only 28 per cent.

Nor is sub-standard housing a thing of the past. A 1991 survey found 7.6 per cent of dwellings in England to be unfit. The region with the highest percentage of unfit dwellings – more than a tenth of the total – was Greater London, which also has the highest rent levels in the country and concentrations of severe poverty.

Associations face further daunting challenge in the demise of local authorities as housing managers. In the past six years, associations have assumed responsibility for 157,000 former council homes on behalf of 35 local authorities. Another nine transfers, involving 32,120 homes, are in the pipeline for the present year.

Associations are expected to win a large share of the potential market of about £900m a year for managing local authority housing, for which tendering will start this year. For councils, the incentive for transfers is stark: their 4m homes are estimated to require about £40bn-worth of repairs.

Housing associations may not continue as sole providers of new social housing. The days of local authority construction are over, but plans circulating in Whitehall for new-style local authority companies, in the form of joint ventures with the private sector, could bring councils back into the frame in a new guise. If they do, associations could play a significant role as contract providers of services.

The question of local authority companies will feature largely in the social housing debate over coming months. For housing associations, however, three issues are of more pressing concern: their own funding; the future of the Housing Corporation; and the internal management of housing associations.

The declining grant rate is part of the concern about funding. But, more important, is the sharp cut in last November's Budget in the government funding available through the Housing Corporation. At a stroke, the corporation's development programme for 1995-96 was slashed from £1.48bn to £1.18bn – down from £2.4bn in 1992-93.

As for the corporation, its dual role as funder and regulator of the sector is unlikely to come into immediate question, although some believe the two should be separated. The question is whether its role should be further extended to that of regulator of new local authority housing companies.

Mr Mayer, while careful to stress that "this is a matter for ministers", does not doubt that the corporation has "the necessary competence and capacity" to take on the role.

The issue of internal management of associations will come to the fore next month with a report by a committee of inquiry set up by the National Federation of Housing Associations. Recommendations are likely to focus on steps to bring a greater professional edge to management and investment committees.

The NFHA report will bring into the open the tension between the social and voluntary role of the associations, and their status as multi-million companies with complex commitments and increasing gearing. Whatever changes follow, the tension will remain. Building societies will spend the next few years merging with banks – not housing associations.

■ POLITICAL INFLUENCES

Growing bill for benefit

The government holds up its record in social housing as a triumph for public-private partnership, and a role model for its private finance initiative.

Mr David Curry, housing and local government minister, reels off the figures. Private lenders have contributed more than £6bn to new housing association projects since 1988. This means, he says, that by March 1995 some 67,000 more homes will have been built than would have been possible from government grants alone.

This, of course, ignores the large and growing bill for housing benefit. This year, the bill is expected to top £10bn; more than double the 1988 figure in real terms. The proportion going to housing association tenants has risen even faster than the rest. About 80 per cent of them receive full or partial housing benefit.

The halving of government grants to housing associations over the past three years and the leap in housing benefit are linked. Government policy is to target people who need subsidy. Average housing association rents have therefore risen from £29 a week in 1989 to £54 a week now, and the government picks up the bulk of the tab through housing benefit. Associations bidding for Housing Corporation funds do not even have to indicate what rents they will charge.

In November, Mr Peter Lilley, Social Security secretary, took the first significant step to limit housing benefit, announcing that such payments would be reduced for tenants paying above-average rents for their type of property in their area.

This is intended to give tenants an incentive to avoid expensive housing. It hardly affects housing associations, because their rents are almost invariably below the local average. Mr Curry claims the changes are "as modest as you can get without disappearing, quite frankly".

However, the capping of housing benefits frightened private lenders. A recent review by IBCA, the European rating agency, speaks of "the intangible political risk which surrounds the sector" – mostly concerning the future of housing benefit.

Mr Curry understands these fears. "There is no point in trying to take measures to curb the benefit if the price is a singular disincentive for the private investor. Now that's a conundrum, because when your housing benefit is going towards £10bn a year, there's no point in sitting back and saying: 'Well, that sort of money doesn't matter, you just ride with it'." The solution, he suggests, lies in reviving the private rental sector and keeping its rents down, to make the rental market more competitive.

The rise in housing association rents also reduces the incentive for tenants to take low-paid jobs, because of the loss of housing benefit. When a tenant starts earning, up to 97 per cent of his salary can be clawed back in tax and lost benefit.

Peter Lilley: took first significant step

David Curry: reels off the figures

Housing associations warn that their properties could turn into ghettoes where only the long-term unemployed could afford to live. Mr Curry is sensitive to the argument: "There comes a point where if rents go up, it's not worth somebody getting up to find a job. We are examining that issue at the moment." Perhaps for that reason, he says he is prepared to see government grants to housing associations rise. "I've always said that I look at it as it comes around each year."

For the past three years the grant has fallen. Mr Curry claims that this has hardly affected housing associations, because during the recession building costs were low. The decline from 79 per cent to 62 per cent in "grant rate" – the government grant per new home – since 1990-91 represents a drop of just 2 per cent in real terms, he says. "We're getting a bigger bang for our buck at the moment."

He also points to the efforts made by associations to raise money cheaply: he cites the recent eurobond issue, based on rent securitisation, brokered by Nomura, and Sanctuary's tapping of the US bond markets arranged by Hambros.

However, Nationwide and other lenders have warned that they might desert social housing if the grant rate falls further. Mr Curry is sceptical. "Each year the lenders have told us that this was the end of life as we know it, and on the whole life is still there as we always knew it." He thinks this is because lenders have nowhere else to go with their money: "The housing market this year is still pretty sodden. It's certainly not taken off."

In recent years other big ideas have arrived. Housing associations have put up some of the money to help poor people buy their own homes, through shared-ownership and Diyso (DIY shared-ownership) schemes. The take-up on Diyso in a recent quarter was 106 per cent of the original cash provision made for it. Whereas 16 per cent of government funding to housing associations in 1993-94 was to help people buy houses, next year the figure will be 24 per cent.

It is a move on from the "right-to-buy" policy for council tenants in the 1980s, a scheme which Mr Curry says "changed the sociology of Britain more than anything else since the war". Right-to-buy is still yielding tens of thousands of purchases a year. However, a recent report by the Joseph Rowntree Foundation urged the government to shift its funding back to rents, arguing that the stock of rented housing was already too low to allow labour mobility. As ever, Mr Curry says he is flexible on the issue.

Similarly, he is open-minded on the future of the Housing Corporation, the channel for government grant to the housing associations and also their regulator. "Should the regulatory and financial functions continue to be under the same roof?" Mr Curry asks. However, he says "no change" is also an option.

And he is closely watching the National Federation of Housing Associations' corporate governance review. The make-up of housing association management committees is a concern: "I want to make sure they bring in a sensible level of expertise. Of course they will have representatives of the community and that sort of thing."

Depending on what the review suggests, he is thinking of allowing chief executives to sit on management committees. "On occasions when there have been problems, it has usually been because of some lack of communication across that line."

Most radically of all, he is thinking of giving local authorities more scope to manage homes, in joint ventures with private shareholders. For the while, however, he expects housing associations to remain the main providers of social housing. "I haven't got anybody else in my bottom drawer, as it were."

Simon Kuper

■ CORPORATE GOVERNANCE AND PROBITY

Pay issue will not go away

Mr Clive Barnett, head of housing finance at NatWest Markets, has met quite a few housing association management committees, writes Simon Kuper.

"Reverend Whatever-he-is; the two probation officers; the tenant representatives; the local practising accountant: they're unlikely to have had the experience of dealing with a £50m loan," says Mr Barnett.

Once, after he had made a presentation to a committee, its members told him he had been too professional. He had rather frightened them.

The larger housing associations now handle tens of millions of pounds of public money, and have huge debts to private lenders – but their management committees are staffed by volunteers. Some committee members have become alarmed: they are responsible for as much money as the directors of private companies.

But there is a professional aspect to the sector; for example, NatWest has more than £1bn of housing association debt on its books. Medium-to-large associations pay their finance directors and chief executives salaries which range up to £100,000 a year.

"Over the last few years, the word in housing associations has changed from "surplus" to "profit", says Mr Keith Schofield, director of financial services at Mercian housing association.

The big worry is the quality of the management committees. Their unpaid members often lack the expertise, the time and the powers to oversee their executives – and protect both taxpayers' and lenders' money. A survey of lenders by solicitors Denton Hall and the Housing Corporation last month showed that quality of management and governance issues were the main factors that lenders to housing associations consider. The doubts prompted the National Federation of Housing Associations (NFHA) to launch an inquiry into corporate governance, which reports next month.

The NFHA knows that creating impressive management committees will not be enough. The one serious fraud discovered in the sector took place within an association whose committee included a number of City of London high-flyers.

The association in question had, on paper, one of the best committees of any housing association, says Mr James Tickell, assistant chief executive of the NFHA. Yet a £1m maintenance fraud went undiscovered for more than seven years.

Mr Tickell concludes that there needs to be more checks and balances. Some associations do not even have internal audit committees. Some sub-committees, regional committees and subsidiaries operate largely outside the control of the main committee.

Housing associations tend to work with corporate governance rules written 100 years ago for neighbourhood borrowing clubs. The NFHA is expected to draw up new codes of conduct.

Improving the personnel of committees is perhaps the bigger issue. When Mrs Margaret Hodge, MP and former leader of Islington council, subsequently became the leader of the association referred to above, after the fraud, she recruited a new management committee from her address book.

Many committees are still recruited on the "old boys'" network – and skills gaps often result. When the English Churches Housing Group, a leading association, needed a new chairman, it recruited an external search firm to find one. The price, it felt, was negligible compared to the cost of making the wrong choice. The NFHA's report may recommend that all new committee members be recruited by open advertisement. At the same time, the NFHA wants to make associations more accountable to their tenants. The question is how to do this without letting untrained tenant representatives take complex financial decisions.

The NFHA may also suggest age or term limits for committee members. Presently, many are retired people, who often lack up-to-date expertise. And the make-up of some committees has hardly changed in decades.

Margaret Hodge recruited a new committee from her address book

Another way of adding expertise would be to allow chief executives to sit on the management committees of their associations. The Housing Corporation still forbids this, although some associations get around the rule, and many have the chief executives of other associations on their committees.

Mr Donald Hoodlass, who became chief executive of Circle 33 after the fraud, says: "The committee of management is ultimately responsible for everything."

The fear is that chief executives on committees might dominate the less-informed members.

The most radical suggestion the NFHA might make would be to pay some committee members. This would not only require a change in ethos in housing associations, but also a change in their legal status.

By law, housing associations are not allowed to pay committee members, or even reimburse them for lost income. Most associations would in any case hate to change their voluntary ethic.

Yet some form of pay might help attract people with professional experience – and make committee members feel more responsible. Mr F. David Porter is both a deputy managing director of Nomura Bank and treasurer of the English Churches Housing Group. He takes holidays from work in order to attend management committee meetings. If, instead, the association could compensate Nomura for his absence, more bankers, accountants and lawyers might work for housing associations. The NFHA may recommend that some large associations become non-profit businesses with paid directors, and possibly even shareholders. These would want to push up rents. Regulation would have to prevent this.

Alternatively, the NFHA may suggest that a wholly new legal entity be created, called "housing association", whose committee members could be paid.

At present, housing associations are either charitable trusts – companies with charitable status – or industrial and provident societies. Some are accountable to three regulators: the Charities Commission, the Registrar of Friendly Societies and the Housing Corporation. The paperwork is stifling.

Ministers and senior Housing Corporation officials have expressed interest in the idea of a new legal entity. However, creating it would require complex legislation, which no government would take on lightly.

Furthermore, as long as housing associations go under a variety of legal forms, it is almost impossible for any government to deprive them of their charitable status all at once.

And the pay issue will not go away. "What you want in the end is the most efficient movement," says Mr F. David Porter. But he admits that many in these multi-million pound charities would consider that a heresy.

Andrew Taylor reports on construction

Cushion rudely removed

The cushion of housing association work that bolstered builders during the recession has been rudely removed by successive public spending cuts.

English housing associations which at one time had been expecting to spend grants and receipts totalling £1.75bn in 1995-96 have seen this figure pruned by almost £570m.

As a result, house builders which had looked to housing association work to provide valuable revenue during hard times will find construction programmes severely reduced after seven years of almost uninterrupted growth.

The National Federation of Housing Associations expects the number of new homes started by builders to almost halve in 1995-96 to 18,000, compared with 35,000 in 1994-95.

The spending cuts have arrived just as the recovery in the private housing market appears to have run out of steam. House prices remain static while the traditional post-Christmas uplift in private sector sales has been slower than usual this year.

Rises in interest rates have undermined the already fragile confidence of potential purchasers who remain concerned about long-term employment prospects and reluctant to take on large mortgages.

Profit margins on private sector sales, however, have improved substantially as expensively acquired land bought in the late 1980s and early 1990s has largely been used up. With margins back to more normal levels – and unlikely to rise further – builders will need to increase the number of homes they sell in a subdued housing market in order to improve profits.

Builders, with private and public sector markets squeezed by spending cuts and higher interest rates, also have to combat increased material costs as suppliers have sought to improve their margins by raising prices. Housing associations will provide little comfort.

Mr Alan Cherry, chairman of Countryside Properties, one of the most successful builders of homes for associations, is aggrieved by the government's response. He claims that "housing has borne a totally disproportionate share of the recent cuts in public sector capital expenditure."

The federation expects completions to slip in the next financial year to 38,000

He says builders who had responded to the government's previous championing of housing associations by increasing their investment in this market "are entitled to feel let down by the government action. The cuts will undoubtedly lead to unemployment in the construction sector and a further dangerous weakening of its capacity."

Total receipts from grants and sales of £1.18bn for the English associations for 1995-96 are 26 per cent lower than the £1.49bn forecast for the current financial year and 48 per cent lower than the figure forecast for 1995-96 three years ago, says the National Federation of Housing Associations. Total receipts are forecast to dip further, to £1.17bn in 1996-97 before rising to £1.19bn in 1997-98. This figure is well short of grant levels available in the early 1990s when the number of homes acquired by English associations trebled from 20,889 to 62,137 between 1989-90 and 1992-93.

The federation expects completions to slip in the next financial year to 38,000 before falling steeply to 26,000 in 1996-97 and 23,000 in 1997-98. More importantly for the construction industry, the share of new homes is forecast to fall from 37,000 in 1994-95 to just 18,500 by 1997-98.

The proportion of homes acquired from private sector builders since 1989 has risen from just over half to about four-fifths, making housing associations an important customer for the industry.

Ministers say that some of the shortfall in public sector investment will be made up by increased private sector investment in housing association schemes. This has risen dramatically since the 1998 Housing Act, with the proportion of funds provided by the private sector to associations expected by government to rise to 42 per in 1995-96. This compares with 25 per cent private investment in 1989-90.

Some private investors which have furnished more than £6bn to housing associations since 1989, however, have become alarmed at the dependence of tenants on housing benefit to pay rents which have risen sharply to generate sufficient returns to attract private sector investments. According to the National Federation of Housing Associations, average weekly rents for new developments between 1989 and 1993 rose from £29.18 to £52.45; an increase of 80 per cent.

The proportion of new tenants eligible for housing benefit since 1989-90 has increased from 67 per cent to 83 per cent. More worrying for the government is that 49 per cent of tenants in employment are now eligible for benefit, compared with 27 per cent five years ago.

Investors are concerned that ministers might make further moves to stem housing benefit payments as they seek to contain public spending. UK banks and building societies which have been the largest investors in association projects are unlikely, anyway, to want to continue investing at the same rate.

As a result, associations may have to look for alternative sources of private finance, including attracting overseas investors. This trend, however, will favour the bigger associations with large assets and a proven management.

House builders also might become more involved in financing arrangements as they seek ways to sustain their workload and break into other housing areas. Countryside, for example, has secured more than £150m of development funds for partnership schemes with housing associations. It has also begun to finance and develop university accommodation.

Mr Ian Riches, marketing director of Warings, the Portsmouth-based construction group, says: "We are finding that the opportunity for housing association work has probably more than halved compared with last year. However, with the restructuring of the armed forces, this will be more than offset by accommodation work required by defence works services."

Other builders expect to reduce their output to housing associations as spending cuts bite deeper over the next two years. The housebuilding sector looks like remaining subdued unless there is a further recovery in the private housing market.

House builders will find construction programmes severely reduced after seven years of almost uninterrupted growth

Simon Kuper examines the roles of the Housing Corporation

Separate regulation urged

"This is easily the most enjoyable job I've ever had," says Mr Anthony Mayer, chief executive of the Housing Corporation. The Corporation, which channels £1.5bn of government funds to housing associations this year, is one of the UK's biggest-spending quangos. It polices as well as funds the housing associations.

Some believe that the two roles of the corporation should be split, with that of regulation passed to a separate body. Various arguments are put forward, most commonly that the corporation is too dominant, or that it is afraid of revealing problems in the sector for fear of being blamed itself.

The National Federation of Housing Associations believes that in the next five years or so the corporation should lose its regulatory powers. The National Audit Office is keen to take over some of these. With the Department of Environment carrying out its five-yearly review of the corporation, Mr David Curry, the housing minister, is considering options.

Mr Mayer says: "This is a matter for ministers, but in my view, 'If it ain't broke, don't fix it.'" Certainly, the corporation is not short of experience of the housing sector.

Mr Mayer left Oxford in 1967 for the old Ministry of Housing, and spent the next 18 years in the civil service, mostly in the Department of the Environment. In 1985 he left the civil service for a six-year stint with N M Rothschild, the UK merchant bank, before taking the helm at the Housing Corporation.

Mr Mayer regards the strong infusion of private finance into housing associations in recent years as a success for the corporation. "I remain confused and slightly disappointed that more attention isn't being given to it by the organisers of the Private Finance Initiative," he says.

He quotes the figures: more than £6bn raised in private-sector finance for housing associations, and just £12.5m in bad loans, all of which are to the unregistered subsidiaries that the corporation cannot yet regulate. "That's a far better record than any other sector in this country."

Yet the NFHA, in a submission to the DoE's review, has said the sector is becoming so complex that a separate regulator is needed: an Ofhouse, in the jargon of the privatised utilities.

The NFHA has three chief complaints. The first is that the corporation is accountable only to the DoE, and not to local authorities, who supply the land, or to housing associations and tenants. The members of the corporation's board are government appointees.

Mr Mayer says: "The Housing Corporation is not a *doppelganger* government department. It has an independent board, which is not entirely passive in the sense of so many agencies set up by the government." When the government cut its grant last year, for the third time running, Sir Brian Pearse, the corporation's chairman, said the move was "disappointing."

Mr Derek King, the corporation's director of investment, admits: "Ultimately, our job is to get on and deliver whatever the government gives us."

The NFHA says the corporation tends to ignore the grievances of housing associations. Mr Nicholas Raynsford, the Labour party's housing spokesman, says Labour would create regional boards of the corporation so that funding decisions were taken locally.

On regulation, the NFHA says that the corporation tends to be intrusive and overprescriptive on minor matters; that it monitors risk and performance too little; is bad at spotting big problems early; and has made little progress on using performance indicators.

Mr Mayer disagrees. The corporation has overhauled its regulatory activities in the past year, he says. It now makes housing associations fill in lists of performance indicators. Last month, the corporation published the results for the first time.

On the basis of the figures, it carries out a desk-top review of all associations receiving government grant. It then visits the associations that seem to have problems, and carries out other random checks to make sure the information submitted is correct. Associations must now submit plc-style accounts.

Before April 1994, the corporation used to visit far more associations at random. It hopes that the new system will allow it to target its slim resources better. The NFHA's third argument is that the corporation's two roles are at odds with each other. As funder, it wants to see homes are built – but this might stop it from cracking down, as regulator, on a dubious builder.

Furthermore, it is supposed to press associations to build good homes while at the same time telling them to make do with less money.

The NFHA says: "The corporation's combined functions make it too powerful in relation to housing associations."

As the grant falls, more and more associations are building without government funding, so the link between funder and regulator disappears.

Mr Mayer dismisses most of these criticisms as theoretical. He argues that since he is accountable for government funds, he has to know which associations are suitable recipients. A separate regulator would be less responsive to failure, since it would lack the corporation's power to adjust funding in order to induce improved practice.

Ultimately, lenders know the corporation and derive comfort from its presence. This comfort, says Mr Raynsford, is the corporation's main reason for being.

The NFHA accepts this, and recognises the force of many of Mr Mayer's other points.

Mr Mayer thinks most problems would be solved if the rented sector as a whole were bigger. "There is an unanswerable case for more GDP going into renting," he says. And more and more people want to rent not buy. Increasingly, they are getting divorced, working on short-term contracts, and regarding houses as consumption rather than investment goods.

But the revival of the private rented sector is beyond Mr Mayer's remit. For the next few years at least, the corporation's funds will remain the chief source of new rented housing for the less well-off.

HOUSING ASSOCIATIONS IV

The former Pauls Moss Town Hall at Whitchurch in Shropshire forms part of a 45-unit sheltered scheme for elderly residents, managed by the North Cheshire Housing Association. Funding of £10.25m was recently provided to the North Cheshire Group, of which the Association is a part, by the Halifax Building Society

Neena Gill director of the Newlon Housing Group of east London, and Mike Blackburn, chief executive of the Halifax Building Society, sign a £27m, 25-year loan agreement. Newlon will build 290 homes and a new HQ

Simon Kuper reports on private finance

Safe bets for the lenders

Housing associations have borrowed more than £6bn from the private sector in the past six years. They are expected to need another £7bn in the next three, as government grants fall as a proportion of their spending. Banks, building societies and bond markets have so far been enthusiastic lenders. But will they remain so?

No private lender has lost money on a government-backed scheme since the 1988 Housing Act, which established the present funding regime. No registered housing association has failed, although a few of their subsidiaries have.

When Nomura International, the securities house, securitised the rental streams of a group of housing associations last December, the eurobond received a triple-A credit rating. Housing associations, despite being not-for-profit, are considered safe bets.

The main reason for this is that they build and rent houses. Mr Anthony Mayer, chief executive of the Housing Corporation, says: "They're entirely asset-based, with a worth that doesn't walk away, and unlike so many other things, with a steady income stream."

The largest associations have realisable asset values of more than £500m. If they were companies, such levels would qualify them for the FT-SE 100.

Furthermore, associations often stack up large reserves to pay for repairs, or simply to reassure lenders. They only have to repay their government grant if they sell the homes they built with it. This year, the average grant stands at 62 per cent of the cost of each home built, which means that private lenders only have to pay 38 per cent of the cost to get an income from its rents. Reassuringly, the Labour party says it would continue and even broaden the role of private finance in social housing.

All this has helped persuade a securities house – Nomura – and a City of London law firm – Wilde Sapte – that it is worth developing expertise in the sector now. Mr Kandiah Chandran, chief executive of the Presentation Association, which specialises in housing ethnic minorities, reports queues of lenders.

Yet most financiers cannot grasp how charities building houses for the poor can turn a profit for their lenders. Many people simply have no idea what a housing association is. The Housing Corporation and the Chartered Institute of Banking have joined to provide short courses on lending to the associations.

Ignorance long meant that only a small group of banks and building societies specialised in the sector: NatWest, the Bank of Scotland, Halifax, Nationwide, Banque Paribas, Hambros and a few others.

It initially made for quite a small market, yet housing associations were hungry for money: they now account for about 10 per cent of the sterling debenture market, with well over £1bn in paper issued, and for more than 25 per cent of the market for debentures with a maturity of more than 20 years.

The weight of paper caused a blip at the end of 1993, when the market choked on three new bond issues. NatWest Markets, for example, was left with much of a £125m bond issue on its own books in December 1993.

The associations looked abroad for new funds, and found them. Sanctuary Housing Association last year placed a £75m bond issue with a group of US investors. Hambros, who brokered the deal, also act for various German banks in the UK housing association market.

The Nomura deal, thanks to its triple-A credit rating, drew investors who had never invested in the sector before, 60 per cent of them from outside the UK. The number of investors lending more than £10m to the sector has risen from 20 in 1991 to 47 today.

Finding new sources of capital was vital, as UK individual and corporate borrowing must pick up soon. Throughout the recession, housing associations were among the few borrowers in the markets. Interest rates, land and construction costs were low. That is already changing.

Yet the Nomura deal, because of its rating, made borrowing cheaper. The housing associations in the scheme issued 30-year eurobonds at just 75 basis points over gilts maturing in 2017. Funding costs were thus nearly 1 per cent lower than those obtained by associations in other recent issues.

"It saved us about £3.60 per property per week," says Mr Keith Schofield, director of financial services at Mercian, one of the participating associations.

"Historically, margins have been too high for what is secure lending," says Mr Charles Arbuthnot, a director of Hambros.

In future, says Mr Gordon Kerr, who set up the scheme for Nomura, "it will be hard for finance directors of housing associations to justify borrowing on any other basis than securitisation, because the cost savings are so great."

Securitising the rents, which had never been done in the UK before, was the key to the triple-A rating: the strength of the housing association sector is its cash-flow from rents. Already, another bank is planning to follow Nomura's lead. Previously, investors had lent against associations' balance-sheets, and had to worry about the competence of management committees.

It took Nomura two years to set up the deal. "The rating agencies had to come up a pretty steep learning curve," says Mr Kerr. But when they came up it, they created a detailed credit analysis of housing association finance. That could make it cheaper for associations to borrow in future.

Lenders have new worries, however. The government grant to the sector keeps falling while the housing benefit bill rises, partly to pay for rising rents.

The government has already begun to cap housing benefit. If it goes further, lenders are threatening to pull out of the sector. Last year, the Council of Mortgage Lenders requested that Housing Association Grant rate (HAG) – the percentage of a new home that the government finances – should stay above 60 per cent. Mr David Curry, housing and local government minister, cut it to 58 per cent. The trend has been downward, and lenders are watching closely.

As the grant falls, housing associations are building fewer homes. Interest rates have plummeted over the past year as more institutions compete to lend to fewer associations. However, some associations may be determined to keep building, particularly as the number of homeless people grows.

Some may eat into their reserves to build. Alternatively, because associations have to bid against each other for government grants, they may try to build too cheaply. Recently, housing associations have bid for about five times as much money as the Housing Corporation has to give, so they often ask for a funding percentage lower than HAG. Some may be embarking on high-risk projects.

Institutions are still happy to lend to housing associations, but if the HAG rate falls even further, or a large association collapses, a private capital flight could ensue.

■ Case study: Wherry Housing Association

Legacy from cold war era

In 1993, the RAF base at Bentwaters in Suffolk became a ghost town. The US Air Force went home, leaving behind two estates of empty homes.

Detached or semi-detached, with vast lawns and en-suite bathrooms, and completed as late as 1990, these are not poor peoples' homes. Today, hundreds of mainly poor Britons inhabit them. The principle could be extended to deserted American and British military bases around the country.

When the Americans left, Leigh Estates, the company that had leased them the houses, went into receivership. Wherry Housing Association, which has developments in Norfolk and Suffolk, won the contract to let 293 homes on the Tower Field and Wacker Field sites.

The names were rather US military in flavour, so Wherry renamed the developments Waterfield Park and Bentwaters Park.

The association could hardly believe its luck. "The Americans spared no money. These are very high quality homes," says Wherry Housing Association's chief executive Mr Peter Lewis.

Mr Tim Sewell, Wherry's housing director, says he is struck by the big spaces in the kitchens where the cookers stood. But there were no shops or pubs – not even a post box – within a mile-and-a-half of the estates.

The receivers, with a firm grasp of the British psyche, paid for fences themselves

Today, "infrastructure" means a tiny post box across the road from a phone booth, the latter installed after much prodding of BT.

The bus now stops every hour, the fish-and-chip van calls on Fridays at 5.30pm, and the fruit-and-veg van arrives on Saturday afternoons.

Yet just over the fence, on the base itself, the Americans had all the facilities of a wealthy Californian town catering for 15,000 servicemen. There was a hospital, a school, a multi-million-dollar gym, a Burger King and a bowling alley. Across the road is an airstrip.

These are all now closed.

The base belongs to the Ministry of Defence, which sealed it off while inviting tenders. Residents became frustrated. Mr Paul Hudson, chairman of the residents' association, said: "The main enemy, if you'll forgive the pun, is the MoD."

But last week Bidwells, the East Anglian surveyors, announced that the Maharishi Foundation had won with a bid to build a University of Natural Law on the base. The yogics will allow the residents of the estates onto the premises. Soon, facilities might improve.

Wherry had to build a community in a desert. From the outset it aimed for balance, evidently anxious not to create a ghetto of the poor. It therefore took some tenants from local authority waiting lists, and others who applied to Wherry privately.

Tenants referred by local authorities pay £241 a month for a four-bedroom detached house while those renting privately pay £356.

Nearly 160 of the 293 homes are now filled. The electoral roll of Rendlesham, the local town, has 670 names where a few years ago it had 100.

"We have a young couple aged 17 and 18, right through to Albert and Mabel in their seventies," says Mr Vincent Gates, Wherry's local manager. "We have single-parent families, families with five children, blue-collar workers and solicitors, disabled people, mentally handicapped people, black and Asian people. We even have two Americans."

Forty per cent of the population is unemployed, but the estates are far from monochrome images of depravation.

There are morning teas; a youth club and mother-and-toddler groups. The residents have persuaded the MoD's land agent to let them use the Americans' Child Development Centre, on the base but just yards from the estate.

All of this should help make up for the lack of a pub or village store or playing field. "The only meeting-place would be the school," says Mr Hudson, "but of course there isn't a school either."

About 180 children live on the estate. Last summer holiday, when they had nothing to do, was a strain. Yet there have been surprisingly few social problems. Mr Gates says only one person has come to him unhappy enough to leave. Prospective residents were elaborately interviewed to make sure they knew what to expect. People without cars were advised not to come.

Residents are making the place home as fast as they can, although only a couple have got round to changing the light-brown USAF carpets. Ms Nicola Beckett, the community development worker, says: "It's losing that military blandness. People are putting shrubs in, and the garden fences have already gone up."

The servicemen had gardens without fences, but the receivers, with a firm grasp of the British psyche, paid for fences themselves. Lawns are no longer quite as short as in the days of the USAF, when long grass could earn you a charge.

Ms Beckett's salary is partly funded by the European Union, which gave the local authority nearly £200,000 from its fund for areas hit by the end of the cold war.

At its peak, RAF Bentwaters accommodated 13,000 Americans, who boosted the local economy by millions of pounds a year.

The Housing Corporation gave Wherry a start-up grant under the Housing Associations as Managing Agents (Hama) scheme.

Wherry's contract with the receivers runs out next year, but it hopes to be allowed to buy the homes then. Even if it does not, three-quarters of the residents are on full, assured tenancies and will be able to stay. One day, perhaps, they will be living in a town as self-sufficient as it was during the cold war.

Simon Kuper

COMMODITIES AND AGRICULTURE

Brussels upbeat on results of farm policy reforms

By Caroline Southey in Brussels

The EU reduced stocks of beef and arable crops, under-spent its budget and saw farm incomes increase in real terms last year, Mr Franz Fischler, the new EU farm commissioner, said yesterday.

Mr Fischler gave his upbeat assessment of the first two-years of farm policy reform negotiated under Mr Ray MacSharry in 1992 as he announced commission proposals on farm prices for 1995-96, the final period for the implementation of the changes.

He said he was proposing "a light non-controversial price package" because he wanted EU agricultural ministers to concentrate on proposals to reform sectors untouched by the MacSharry reforms, such as wine.

Reviewing the year he said reductions in price support and measures to control production had had a "positive impact on prices and markets". Real prices had caught up or stabilised after the large drops in 1993.

Public cereal stocks stood at 30m tonnes in July 1994 and had fallen to less than 9m tonnes in January 1995. Last year's harvest stood at 162m tonnes, 1m down on 1993 and 19m tonnes less than 1991.

A drop in production and high exports led to beef and veal stocks falling to 40,000 tonnes in January 1995, from a high of 1.17m tonnes in 1992.

Milk production fell further as dairy herds continued to decline and yields increased more slowly.

Mr Fischler set a budget guideline for 1995 of Ecu37.94bn, an increase of Ecu 1.48bn on 1994. Ecu950m is due to Sweden, Finland and Austria joining the EU in January.

A Commission official said the last budget had been underspent by almost Ecu3bn. The 1995 budget figure was Ecu1.05bn less than allowed under the EU guidelines.

Farm incomes rose by 5.7 per cent in real terms in 1994.

Mr Fischler announced two price change, which observers said were intended to discourage producers from using intervention as a market mechanism. The butter intervention price is to be cut by 2 per cent and the automatic monthly increase in the cereal intervention price by 10 per cent.

Meat industry plans safety-net

By Alison Maitland

Britain's meat industry leaders have stared into the abyss and decided to start work on a safety-net.

Live animal exports have been badly damaged and prices depressed by the transport ban introduced last year by passenger ferry companies and the subsequent wave of protests by welfare campaigners against farmers seeking alternative routes to the Continent.

Yesterday, the Meat and Livestock Commission admitted the demonstrators had won part of the battle. Live exports, it said, were unlikely again to reach the peak levels of 1993.

Instead, the industry must develop new markets for British meat slaughtered at home.

"We're not assuming there will be a total cessation of trade," said Mr Colin Maclean, the commission's director general. "It's terribly important we reach agreement in Europe that will allow live exports to continue."

However, the commission has drawn up plans for every eventuality, including a ban on calf exports.

Britain exported 500,000 calves worth £95m in 1993 – the last year for which trade statistics are available. Most were bull calves from the dairy herd destined for veal production in France and the Netherlands. About 1.9m sheep were exported in 1993, mainly to France, bringing in export earnings of £90m.

In its report, Future Options, published yesterday, the commission assumes calf exports will fall by half as a result of the animal rights campaign and that sheep exports will drop by 70 per cent.

The commission says the extra calves on the UK market could be slaughtered very young for processed meat – although consumers might react adversely – or be reared for veal or beef. "The higher supplies available would, in a normal market situation, result in a price reduction of about 10 per cent."

It proposes research to improve the efficiency of the UK's more welfare-friendly veal production and to enhance the quality of the meat, as well as increased export promotion for British veal and beef.

It admits, however, that it will be difficult to overcome widespread resistance to eating veal in the UK and that the refusal of many non-EU countries to accept British beef because of fears about "mad cow disease" reduces the options for exporters.

"The question of sheep meat is easier to resolve because of the access we already have to markets on the Continent," said Mr Bob Bansback, industry development director.

A 70 per cent drop in live exports would mean a 24,000-tonne increase in domestic production of sheepmeat and a 4 per cent drop in producer returns. To combat a fall in prices, the commission plans to increase export promotion spending by £200,000 next year, seek marketing grants from the UK government and press for an EU-funded lamb promotion programme.

Future Options. MLC, PO Box 44, Winterhill House, Snowdon Drive, Milton Keynes MK6 1AX. £80.

Foreign prospectors beat a path to Ecuador

An improved investment climate has rekindled interest, writes Raymond Colitt

Armed with the implements of their trade, mineral prospectors are surveying Ecuador's countryside in what seems to be an unprecedented mining bonanza.

Following decades of neglect Ecuador's mining industry now has real prospects for large-scale commercial production. A generally improved investment climate, including a comparatively stable economy, and a new mining law have sparked interest among foreign investors. At least a dozen foreign companies have come in search of untapped gold, silver and copper. They will invest some $32m in 1994-95 to explore concessions totalling 270,000 hectares.

Some are dusting off old maps and exploring sites rediscovered by artisan miners in recent years. Others are surveying new areas and have identified mineral deposits of potential commercial value. At least five companies have completed their sampling and geochemical work and have moved on to the drilling stage.

Studies by Codigem, Ecuador's public mining corporation, and by a team of Belgian engineers, suggest recent discoveries are not flashes in the pan, but that Ecuador indeed boasts large deposits of gold, silver, lead, zinc and copper. Other studies point specifically to large gold deposits in the southern part of the Cordillera Real.

Especially promising, says an official government document, are the southern provinces of Azuay, Zamora, and El Oro, with several confirmed gold deposits. These provinces border northern Peru, where large mines are already being operated in a geological structure similar to that on Ecuador's side of the border.

The generally arid conditions of southern Ecuador are excellent for basic topographical work, according to geologists.

The ancient gold mine Portovelo in the province of Nambija, which has polymetallic gold-bearing veins 15km long and 4km wide, is being exploited by the state. Centuries ago the Spaniards extracted gold there and an estimated 121 tonnes of gold and 262 tonnes of silver had been taken by 1985. With big name companies such as TVX Gold (Canada) and Gold Fields (South Africa) exploring, the necessary capital to finance the development of previously identified deposits is now available. Besides lending credibility to the country's mining potential, their commitment reflects confidence in the improved operating conditions within its mining sector.

TVX Gold, in a joint venture with the military's industrial branch, Dine, has earmarked $7.5m as risk capital during the 1994-95 period. Unofficial reports say TVX has discovered a gold deposit estimated at 93 tonnes and may begin production in 1995.

The junior company, Ecuadorian Minerals Corporation (Canada), with a total of $3m in risk capital, claims to be have some of the most promising sites. Following a 33,000ft drilling programme in its Gaby property, part of the Muyuyacu concession, the company says the site may have in excess of 50m tonnes of ore averaging between 1 and 1.5 grammes a tonne. It has launched the second phase drilling programme, which will form part of a pre-feasibility study to be completed this year.

In Tres Chorreras EMC has taken 319 samples that returned grades between 0.125 and 0.214 troy ounces a tonne. At Cerro Pelado, which indicates potential for multi-million ounce gold deposits, EMC has rights to an extensive area of small mining activity. It is Ecuador's largest known alluvial gold deposit.

Other companies that have gained a foothold in Ecuador are Newmont Overseas Exploration and Odin Mining International, who have formed a joint venture to explore the El Origen de Biron concession.

The initial investment will be US$1.3m. The french company Cogema is looking for gold deposits in its San Fernando property. Suspecting a low-grade, high-volume deposit, Cogema is plunging $2.2m into an extensive drilling programme.

Keen on participating in the mining boom of its neighbouring countries, Ecuador is trying to attract the attention of foreign investors with financial perks. Besides boasting one of the lowest income tax rates in the region (25 per cent), the country provides a host of tax and tariff exemptions specific to the mining sector.

The latest newcomers following up on such incentives are Golden Star Resources (Canada), Homestake International Minerals (US) and Canada's Echo Bay. Leonardo Elizalde, legal representative of Echo Bay in Ecuador, says the company is talking to junior companies and is prepared to invest large sums to begin production.

According to some estimates, Ecuador's annual mineral production could reach $650m, or half of total crude oil sales, in coming years.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-19,250	to 1,485,800
Aluminium alloy	-120	to 30,520
Copper	-6,450	to 265,075
Lead	-1,075	to 324,025
Nickel	-732	to 136,098
Zinc	-2,950	to 1,134,900
Tin	-235	to 26,025

Brent trading heads east

By Robert Corzine

An agreement was signed *yesterday to extend the trading of the benchmark Brent crude oil futures contract to Asia.* The deal between London's International Petroleum Exchange and the Singapore International Monetary Exchange paves the way for trading of the Brent contract in Asia from June 9 via a mutual offset system between the two exchanges. It was signed by Ms Elizabeth Sam, Simex chairman, and Mr Philip Lynch, IPE chairman.

The arrangement will allow traders to open or close positions in either market during an 18-hour period.

Singapore is one of the world's busiest physical oil markets, based in part on the country's status as the third largest international refining centre.

Both IPE and Simex executives believe the availability of the Brent contract should attract some physical traders into the paper market.

Mr Peter Wildblood, IPE chief executive, said the introduction of the Brent contract should help Asian traders in their physical pricing. An increasing amount of oil sold in the region is composed of crudes from the Middle East and West Africa, the price of which is based on differentials with Brent.

Executives from both exchanges believe the availability of the Brent contract in Singapore will help price formation, as it will relieve any "pent-up demand" from traders who currently have to await the opening of the IPE.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1843-4	1885-6
Previous	1893.5-4.5	1934-5
High/low		1899/1837
AM Official	1813-4	1854.5-5.5
Kerb close		1891-2
Open int.	237,546	
Total daily turnover	96,059	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1810-20	1855-65
Previous	1850-60	1895-8
High/low		1860/1815
AM Official	1780-800	1820-40
Kerb close		1850-55
Open int.	2,790	
Total daily turnover	733	

■ LEAD ($ per tonne)

Close	536-7	556-7
Previous	555-6	574-5
High/low	605	585/621
AM Official	504-5	524-5
Kerb close		585-6
Open int.	38,342	
Total daily turnover	11,956	

■ NICKEL ($ per tonne)

Close	8275-85	8420-30
Previous	8355-65	8505-10
High/low		8460/7875
AM Official	8040-45	8200-05
Kerb close		8450-70
Open int.	61,291	
Total daily turnover	24,424	

■ TIN ($ per tonne)

Close	5260-70	5355-60
Previous	5480-90	5575-80
High/low	5170	5440/5250
AM Official	5165-70	5265-70
Kerb close		5380-400
Open int.	21,450	
Total daily turnover	8,224	

■ ZINC, special high grade ($ per tonne)

Close	998.5-7.5	1012-3
Previous	1012-3	1037-8
High/low		1029/974
AM Official	948.5-9.5	974-5
Kerb close		1029-30
Open int.	105,461	
Total daily turnover	39,649	

■ COPPER, grade A ($ per tonne)

Close	2908-9	2883-4
Previous	2904-5	2857-8
High/low	2885/2862	2891/2830
AM Official	2862-3	2842-3
Kerb close		2885-87
Open int.	238,831	
Total daily turnover	70,723	

■ LME AM Official £/$ rate: 1.5530
LME Closing £/$ rate: 1.5575

Spot:1.5573 3 mths:1.5555 6 mths:1.5530 9 mths:1.5505

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Feb	135.10	-0.55	137.50	135.10	1,599	299
Mar	134.20	1.45	136.85	132.50	22,882	8,292
Apr	132.20	1.55	133.50	132.50	1,060	161
May	130.30	1.45	131.70	128.60	10,683	1,899
Jun	128.70	1.60	129.60	127.50	838	30
Jul	126.90	1.45	128.30	125.20	4,165	160
Total					80,171	9,446

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	375.70-376.10		
Opening	375.80-376.20		
Morning fix	376.00	241.910	483.686
Afternoon fix	375.00	242.019	482.258
Day's High	378.20-376.50		
Day's Low	375.60-375.90		
Previous close	374.40-374.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.85	6 months	5.51
2 months	4.96	12 months	6.01
3 months	5.09		

Silver Fix	p/troy oz.	US cts equiv.
Spot	305.10	474.45
3 months	309.60	480.90
6 months	314.95	488.60
1 year	327.60	506.45
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	378-379	242-245
Maple Leaf	386.85-389.30	-
New Sovereign	87-90	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	376.4	+0.5	376.4	376.2	479	844
Mar	377.0	+0.5	377.2	377.0	2	-
Apr	378.4	+0.5	379.0	378.0	71,429	22,857
Jun	381.8	+0.5	382.2	381.5	28,107	1,032
Aug	385.7	+0.5	385.9	385.7	15,976	887
Oct	388.7	+0.5	-	-	4,777	-
Total					171,012	26,337

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	414.1	+0.5	414.9	413.8	16,256	1,056
Jul	417.8	+0.7	418.5	417.0	5,092	17
Oct	422.1	+1.0	-	-	1,160	-
Jan	426.1	+1.3	-	-	190	-
Total					22,698	1,073

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	159.00	+0.25	159.00	158.25	3,848	206
Jun	161.20	+0.55	161.00	160.50	3,827	78
Sep	162.60	+0.80	-	-	379	-
Dec	163.90	+1.10	-	-	53	-
Total					7,707	286

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	474.5	+3.0	-	-	-	129
Mar	475.5	+3.0	476.5	473	88,855	15,443
Apr	477.9	+3.0	-	-	-	-
May	480.6	+3.0	481.5	477.5	25,158	3,867
Jul	486.0	+3.0	487.0	484.0	11,445	2,099
Sep	491.8	+3.0	-	-	10,889	5
Total					142,233	21,546

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	18.38	+0.11	18.45	18.21	60,584	45,630
Apr	18.33	+0.15	18.37	18.13	77,710	34,449
May	18.18	+0.13	18.18	18.05	39,456	10,137
Jun	18.04	+0.08	18.08	17.95	35,752	4,354
Jul	17.80	-0.09	17.97	17.80	17,007	835
Aug	17.87	+0.03	17.87	17.81	12,370	523
Total					384,848	99,713

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	16.75	+0.02	16.82	16.63	71,054	11,490
May	16.62	-0.01	16.70	16.51	18,872	2,919
Jun	16.59	+0.04	16.63	16.47	13,579	748
Jul	16.48	+0.04	16.58	16.44	9,169	68
Aug	16.44	+0.04	16.53	16.40	4,410	169
Sep	16.46	+0.06	-	-	2,264	-
Total					184,949	15,927

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	47.75	+0.46	47.80	47.20	34,113	21,644
Apr	47.80	+0.32	47.85	47.45	22,169	5,349
May	47.60	+0.27	47.65	47.50	12,037	3,695
Jun	47.85	+0.32	47.90	47.70	9,308	1,736
Jul	48.05	+0.32	48.10	47.85	9,136	793
Aug	48.60	+0.37	48.60	48.55	4,141	31
Total					116,079	34,421

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	144.75	+0.75	145.00	143.75	45,410	4,047
Apr	146.00	+0.75	146.25	144.75	18,894	1,368
May	148.00	+0.50	148.00	146.25	7,431	110
Jun	148.25	+0.50	148.25	148.00	9,068	221
Jul	147.75	+0.25	-	-	2,772	-
Aug	148.50	+0.50	-	-	1,581	-
Total					93,747	8,019

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	1.378	-0.012	1.395	1.361	22,727	18,354
Apr	1.385	-0.012	1.400	1.370	19,534	10,871
May	1.440	-0.007	1.448	1.425	12,334	2,819
Jun	1.505	+0.008	1.505	1.481	11,957	2,586
Jul	1.555	+0.008	1.555	1.535	11,854	1,655
Aug	1.580	+0.016	1.585	1.565	10,209	859
Total					153,865	41,113

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	55.90	+0.24	56.20	55.50	17,831	9,953
Apr	57.60	+0.28	57.75	57.30	18,694	5,840
May	56.90	+0.33	57.05	56.55	15,103	3,543
Jun	56.30	+0.30	56.30	55.25	5,330	407
Jul	55.65	+0.40	55.70	55.55	2,833	122
Aug	55.05	+0.45	55.20	55.05	889	20
Total					65,136	19,898

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	109.15	+0.40	109.10	108.85	1,087	260
May	110.45	+0.55	110.35	109.50	2,012	204
Jul	111.50	+0.20	111.50	110.85	378	46
Sep	98.25	+0.40	99.00	98.00	163	10
Nov	99.95	+0.55	99.85	99.25	1,920	48
Jan	101.75	+0.50	101.50	101.50	343	3
Total					6,027	576

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	371/2	-0/4	374/0	369/4	28,535	6,416
May	363/0	+0/2	365/0	361/2	15,868	2,463
Jul	338/2	-	339/6	336/4	21,607	2,138
Sep	342/2	-	343/6	341/0	1,616	112
Dec	352/6	+0/4	353/6	351/4	1,125	157
Mar	358/0	-1/4	358/0	356/0	18	-
Total					69,767	11,298

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	224/6	+0/6	235/0	233/4	81,700	14,112
May	242/4	+0/6	242/6	241/2	77,891	3,459
Jul	248/4	+1/2	249/0	246/6	72,827	2,595
Sep	253/0	+0/6	253/6	251/6	12,034	221
Dec	258/2	+1/6	258/6	256/6	57,453	1,850
Mar	264/2	+1/4	264/2	262/4	5,881	111
Total					312,772	22,821

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.25	-0.25	102.75	102.75	278	15
May	103.50	-0.50	-	-	88	-
Sep	97.00	-	-	-	100	-
Nov	99.15	-0.10	99.25	98.00	259	35
Jan	100.40	-0.10	100.25	100.25	24	15
Mar	102.25	-	-	-	-	-
Total					749	65

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	558/4	+2/6	559/0	555/0	45,801	13,085
May	568/0	+2/4	568/4	565/0	34,292	5,782
Jul	575/0	+2/4	575/4	572/0	31,848	3,882
Aug	577/6	+2/2	577/6	575/4	4,034	235
Sep	579/0	+2/2	579/4	576/4	2,595	501
Nov	587/2	+2/4	587/4	584/4	18,374	1,845
Total					138,976	25,019

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	27.62	+0.32	27.68	27.28	32,803	5,766
May	26.78	+0.24	26.84	26.48	26,890	4,577
Jul	26.24	+0.22	26.28	25.98	18,891	1,780
Aug	25.86	+0.16	25.95	25.70	5,189	375
Sep	25.65	+0.13	25.72	25.45	4,923	304
Oct	25.42	+0.12	25.50	25.25	6,369	484
Total					102,999	13,601

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	154.2	-	154.3	153.6	29,817	4,383
May	157.9	+0.1	158.0	157.5	25,229	3,190
Jul	162.3	+0.1	162.4	161.8	19,644	1,924
Aug	164.3	+0.1	164.4	164.0	6,691	190
Sep	166.2	+0.1	166.3	165.9	4,283	220
Oct	168.1	+0.2	168.2	167.7	8,058	327
Total					102,889	10,812

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	351.5	-	-	-	-	-
Apr	271.5	+3.0	279.0	270.5	777	777
May	293.5	+1.0	-	-	54	54
Jun	250.0	-	-	-	-	-
Total					841	23

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	1970	-60	1990	1970	328	48
Mar	1960	-82	2000	1975	288	17
Apr	1970	-45	2015	1970	1,364	142
Jul	1735	-35	1760	1740	872	39
Oct	1740	-30	1760	1740	738	17
Jan	1735	-20	-	-	108	-
Total					3,706	281

	Close	Prev
BFI	1984	1984

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1051	+32	1051	1020	29,392	8,891
May	1040	+26	1045	1018	21,940	8,422
Jul	1048	+24	1050	1026	11,318	1,039
Sep	1056	+23	1057	1035	14,548	1,875
Dec	1062	+22	1064	1045	15,822	281
Mar	1071	+20	1072	1052	13,734	920
Total					117,738	19,867

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1405	+63	1415	1370	2,750	5,879
May	1421	+40	1433	1395	35,267	5,590
Jul	1443	+37	1452	1418	11,964	1,015
Sep	1461	+35	1465	1434	4,459	669
Dec	1478	+35	1480	1450	4,976	60
Mar	1500	+35	1502	1480	8,558	5
Total					76,401	13,829

■ COCOA (ICCO) (SDR's/tonne)

Feb 13	Price	Prev. day
Daily	1009.22	1006.86

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	2897	+38	2910	2848	8,929	1,450
May	2828	+45	2845	2770	11,494	1,789
Jul	2789	+28	2798	2728	4,113	472
Sep	2753	+31	2755	2715	3,704	326
Nov	2740	+28	2770	2710	963	226
Jan	2735	+25	2705	2705	139	3
Total					28,342	4,249

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	164.50	+2.30	166.70	162.30	10,211	3,118
May	168.55	+2.30	168.60	164.25	12,638	2,371
Jul	167.80	+1.90	169.00	165.80	5,864	482
Sep	168.40	+2.30	169.75	166.55	3,707	505
Dec	169.00	+2.20	170.00	166.25	3,589	48
Mar	167.25	+2.45	0	0	375	-
Total					36,743	6,524

■ COFFEE (ICO) (US cents/pound)

Feb 13	Price	Prev. day
Comp. daily	150.65	150.35
15 day average	147.28	147.61

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.27	+0.20	14.27	14.27	925	110
May	14.40	-	-	-	860	-
Jul	13.40	-	-	-	2,300	-
Oct	13.53	-	-	-	-	-
Jan	11.95	-	-	-	-	-
Total					6,085	110

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	387.40	+3.90	388.0	382.5	8,086	1,499
Aug	379.30	+3.70	380.0	375.3	6,435	819
Oct	350.30	+2.50	350.5	347.2	2,308	99
Dec	345.50	+2.10	343.9	342.3	240	30
Mar	341.90	+1.40	339.0	339.0	620	5
May	340.60	-	337.8	337.8	115	5
Total					16,805	2,282

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.52	+0.24	14.65	14.15	38,004	5,740
May	14.39	+0.27	14.42	14.02	82,544	4,425
Jul	13.67	+0.21	13.59	13.26	33,779	1,279
Oct	12.98	+0.16	12.98	12.78	33,577	1,128
Mar	12.52	+0.12	12.55	12.33	9,638	480
May	12.37	+0.05	12.37	12.27	2,413	2
Total					170,819	13,081

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	94.90	+1.91	94.99	93.56	13,453	4,109
May	92.90	+1.27	93.50	91.80	20,108	4,863
Jul	89.90	+0.77	90.95	89.30	13,944	1,393
Oct	80.19	+0.54	80.25	79.70	4,875	402
Dec	74.63	+0.48	74.85	74.40	18,731	894
Mar	75.83	+0.43	75.80	75.40	1,951	85
Total					71,241	11,838

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.95	-	104.40	103.50	11,297	10,942
May	108.15	-	108.35	107.60	6,301	486
Jul	111.95	+0.35	112.25	111.50	1,534	103
Sep	115.75	+0.25	115.75	115.25	2,625	69
Nov	114.65	+0.35	114.50	114.50	2,031	25
Jan	115.95	+0.35	115.85	115.80	1,049	50
Total					25,005	12,288

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	75.250	-0.200	75.825	75.200	7,984	2,720
Apr	74.150	-0.500	74.900	74.125	45,111	4,785
Jun	67.375	-0.375	67.950	67.325	15,578	1,148
Aug	64.475	-0.200	64.925	64.475	6,193	429
Oct	65.300	-0.150	65.625	65.300	1,239	18
Dec	66.325	-0.125	66.800	66.300	917	56
Total					81,411	9,405

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	39.350	-0.150	39.800	39.125	1,859	838
Apr	38.475	-0.100	38.650	38.200	13,539	3,406
Jun	44.250	-0.100	44.425	44.025	7,090	660
Aug	43.325	+0.125	43.400	43.150	1,811	188
Oct	40.650	+0.125	40.700	40.550	2,510	137
Dec	41.575	+0.025	41.575	41.350	2,237	63
Total					30,071	6,098

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	41.950	-0.350	42.375	41.500	899	178
Mar	41.700	-0.450	42.350	41.500	3,552	1,192
May	42.500	-0.375	43.100	42.325	3,232	584
Jul	42.725	-0.425	43.275	42.500	1,428	155
Aug	40.350	-	40.750	40.300	396	30
Feb	51.250	-	-	-	80	6
Total					9,578	2,145

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1800	132	190	51	82
1900	79	138	97	126
2000	43	97	160	184
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
2700	-	177	-	75
2800	154	124	37	119
2900	94	83	76	175
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
2700	197	236	-	108
2750	147	208	-	130
2800	98	182	1	154
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
975	76	87	-	22
1000	51	70	-	30
1025	27	56	1	41
■ BRENT CRUDE IPE	**Apr**	**Jul**	**Apr**	**Jul**
1650	51	73	26	75
1700	26	52	51	104
1750	14	37	89	139

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)		+or-
Dubai	$16.33-6.39z	+0.16
Brent Blend (dated)	$16.95-7.00	+0.325
Brent Blend (Apr)	$16.75-6.80	+0.15
W.T.I. (1pm est)	$18.29-8.31z	+0.21
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$171-173	
Gas Oil	$147-148	-1
Heavy Fuel Oil	$103-104	
Naphtha	$168-169	
Jet fuel	$165-166	+0.5
Diesel	$151-152	+1
Petroleum Argus. Tel. London (071) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$375.90	+1.30
Silver (per troy oz)♣	475.50c	+4.00
Platinum (per troy oz.)	$413.75	+0.75
Palladium (per troy oz.)	$157.00	
Copper (US prod.)	140.0c	-1.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.90m	+0.07
Tin (New York)	249.50c	-7.00
Cattle (live weight)†	121.29p	+0.41*
Sheep (live weight)†♣	119.44p	-0.68*
Pigs (live weight)	84.08p	-3.24*
Lon. day sugar (raw)	$349.8	+0.6
Lon. day sugar (wte)	$400.0	+1.5
Tate & Lyle export	£340.0	+2.0
Barley (Eng. feed)	£110.0	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)♥	116.0p	-1.5
Rubber (Apr)♥	118.0p	-1.5
Rubber (KL RSS No1)	481.0m	-1.0
Coconut Oil (Phil)§	$645.0y	+2.5
Palm Oil (Malay.)§	$682.5t	
Copra (Phil)§	$414.0y	-2.0
Soyabeans (US)	£169.0q	
Cotton Outlook'A' index	99.55c	+1.30
Wooltops (64s Super)	512p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Apr. t Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week ⊙ Prices are for previous day.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,000-5,200 (4,900-5,050). Bismuth: min. 99.99%, tonne lots 3.45-3.70 (3.50-3.75). Cadmium: min. 99.5%, 155-165 cents a pound. Cobalt: MB free market, 99.8%, 29.55-30.70 (29.75-30.50); 99.3%, 27.80-28.50 (27.60-28.20). Mercury: min. 99.99%, $ per 76 lb flask, 130-150 (125-145). Molybdenum: drummed molybdic oxide, 16.50-16.00 (16.00-16.50). Selenium: min 99.5%, 3.45-4.50. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 50-65. Vanadium: min. 98%, cif, 4.70-4.90 (4.25-4.50). Uranium: Nuexco exchange value, 7.25 (7.20).

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 14	Feb 13	month ago	year ago
2247.4	2257.7	2243.7	1779.1

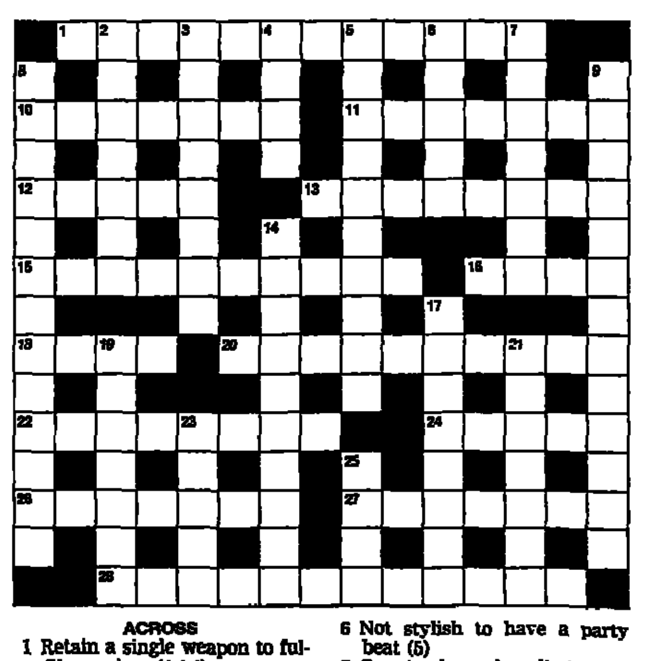
■ CRB Futures (Base: 1967=100)

Feb 13	Feb 10	month ago	year ago
233.38	233.93	232.98	227.29

JOTTER PAD

CROSSWORD

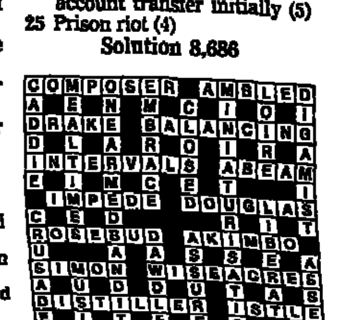
No.8,687 Set by PHSSTHPOK



ACROSS
1 Retain a single weapon to fulfil promises (4,4,4)
10 Tend to run true although twisted (7)
11 Deep under canvas, say (7)
12 Right around the perimeter (5)
13 Similar sound made by one animal on another (8)
15 Air on harp emotes confusion (10)
16 Pelt family with stones first (4)
18 One tied to this country (4)
20 Morsel of food obtained for a little money (10)
22 Vague outline (8)
24 Pole is contained in area of combat (5)
26 Descent using path takes time (7)
27 Rock made by tree doctor with tip of log inside (7)
28 Pet as awards, we hear, for trials (12)

DOWN
2 Use this to listen to a musical instrument? (7)
3 Become richest green when in pain (8)
4 Initial difficulty followed birth in poverty (4)
5 Mistake the flow of current (10)
6 Not stylish to have a party beat (5)
7 Country home has distinction (7)
8 Surprisingly claiming all yet left out for no obvious reason (13)
9 Hit with fasteners for extra safety (4,2,6)
14 Tea crates have right mixture of parts (10)
17 Collect with difficulty to scupper a performance (5,3)
19 Use up some medicines rashly to make poison (7)
21 Suitable handle attached to can (7)
23 Respond regarding the account transfer initially (5)
25 Prison riot (4)

Solution 8,686



INTERNATIONAL CAPITAL MARKETS

Treasuries higher on retail prices data

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices edged higher yesterday morning as retail sales figures for January came in generally as expected and dealers covered short positions in advance of more economic data due today.

At midday, the benchmark 30-year Treasury was up ⅛ at 99⅝, to yield 7.638 per cent. At the short end of the market, the two-year note rose ⅛ to 100½, yielding 7.202 per cent.

The Commerce Department reported retail sales up 0.2 per cent overall in January and 0.4 per cent excluding motor vehicles. Although the figures were lower than median estimates of 0.4 and 0.7 per cent respectively, they matched the trend predicted by economists because they were accompanied by upward revisions to November and December data.

The latest figures showed strong gains in non-durable goods, including petrol, offset by weakness in durable goods, such as cars and furniture.

Most economists said the data supported the idea that the economy was slowing but did not agree how the Federal Reserve might view them.

GOVERNMENT BONDS

Mr David Bloom, an economist at James Capel, said: "The main issue is not whether growth is slowing but whether it will slow sufficiently to convince the Fed that it has tightened monetary policy enough to avert an inflation threat. We believe it has not."

In addition to the retail sales data, traders were taking economic figures due today into account. Statistics on consumer prices and capacity utilisation are to be released, which some fear will continue to show inflationary pressures. Economists expect January capacity utilisation close to 85.6 per cent, up from 85.4 per cent in December.

■ The Spanish government bond market was Europe's best performer, on weaker than expected inflation data.

Other European government bond markets were largely subdued, with attention on the sharp currency movements on the foreign exchanges, and bond prices settled only slightly higher on the day. The yield spread on Spanish government bonds over German bunds narrowed to 407 basis points from 417 basis points.

Dealers reported buying of short-dated bonds, with the yield spread between the two and 10-year maturities widening but traders were cautious and expected profit-taking in the next few days.

Mr Ken Wattrett, international economist at HSBC, doubted whether the inflation data fully reflected the recent VAT rise, which he expected to boost next month's figures.

■ French government bonds rose, with the Matif March futures contract settling up 0.14 at 111.96.

However, dealers reported late selling of bonds and Pibor money contracts triggered by an opinion poll showing prime minister Mr Edouard Balladur's lead in the forthcoming presidential elections narrowing. Ms Alison Cottrell, at PaineWebber, said this could have a further negative effect on markets today.

The yield spread over bunds remained broadly unchanged at around 58 basis points.

■ Lack of progress on the IG Metall wage dispute held back the German government bond market, which underperformed the rising US Treasury market.

The March bund futures contract on Liffe was up 0.22 at 90.49 in late trading. But the yield spread below US Treasuries closed from 29 basis points to 23 basis points

Traders said that some investors were moving out along the yield curve from the currently expensive five-year maturity into seven-year bonds.

■ UK government bonds underperformed other markets due to the weakness of the pound.

The long gilt future on Liffe was up ⅛ at 101⅞ in late trading with a yield spread over bunds of around 146 basis points.

The Bank of England announced that at next week's auction it well sell £2bn of the 8½ per cent gilt due December 7 2005, which is fungible with an existing issue.

Ground-breaking Ecu500m deal for Denmark

By Martin Brice

Dollar deals remained thin on the ground in the eurobond market, as investors waited for economic data due this week.

The Kingdom of Denmark provided a deal for investors in sovereign paper when it raised Ecu500m with the first one-year Ecu issue.

INTERNATIONAL BONDS

The coupon is 8¾ per cent, which lead manager Crédit Commercial de France said provided funds at a "double-digit" number of basis points below Libor. Other houses suggested the deal cost Denmark between 35 and 40 basis points under Libor. By comparison, the Republic of Italy is seeking a Ecu5bn syndicated loan at 8 basis points over Libor to pay for maturing government Ecu bonds.

Denmark will use the funds partly to refinance $1.5bn of maturing debt. It is the biggest Ecu bond since Portugal raised Ecu750m a year ago, and CCF reported strong demand from central banks and supranational institutions.

Eurofima, the Swiss-based group which funds the purchase of railway rolling stock, raised FFr1.3bn with a 10-year bond callable at five years. The coupon for the first five years is 8.04 per cent, rising to 8.41 per cent if the bonds are not called. Joint book-runners are CDC and Paribas.

Merrill Lynch brought three deals, two in yen and one in escudos. The yen deals were handled by Merrill itself, which said the Y5bn, four-year with a coupon of 4.23 per cent and the Y15bn seven-year with a coupon of 5.05 per cent were targeted at different types of institutional investors.

It also issued Esc11.4bn of seven-year floating-rate notes with a coupon of six-month Libor plus 35 basis points through Banco Finantia.

● J. P. Morgan's debt has been downgraded by Moody's, which said the move reflects the US bank's continuing repositioning towards investment banking. Its long-term debt was downgraded from Aa1 to Aa2. The counterparty and long-term rating of its subsidiary banks, including Morgan Guaranty, was lowered to Aa1 from Aaa. The ratings were put under review on November 10. Around $5.4bn of debt is affected.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Oslo Paper Corp.(a)♦	100	4.375	100.00	May.1999	2.25	-	Yamaichi Intl.(Europe)
YEN							
Asahi Finance(Cayman)(b)♦‡	25bn	(b1,s)	100.00	May.2005	undisc.	-	Salomon Brothers Intl.
Merrill Lynch & Co., T(c)♦	5bn	4.23	100.275R	Jun.1999	0.275R	-	Merrill Lynch International
Merrill Lynch & Co., T(d)♦	15bn	5.05	100.375R	Jun.2002	0.375R	-	Merrill Lynch International
FRENCH FRANCS							
Eurofima(e)	1.3bn	(c1)	100.00R	Mar.2005	0.325R	-	CDC/ Banque Paribas
ITALIAN LIRE							
Hellas Finance	200bn	11.00	101.29	Mar.1998	1.375	-	Bca.di Roma/Crdt.Italiano
GECC(f)	100bn	11.05	101.483	Feb.1998	1.375	-	JP Morgan Securities
ECUS							
Kingdom of Denmark(g)	500	8.75	99.949R	Mar.1996	0.10R	+5(8%-96)	CCF
GECC(f)	50	8.00	100.22R	Nov.1998	0.20R	-	UBS
ESCUDOS							
Merrill Lynch & Co.‡	11.4bn	(g)	100.00	Mar.2002	0.25	-	Banco Finantia

Italy sees big saving on Ecu5bn loan terms

By Martin Brice

Italy's Ecu5bn syndicated loan announced on Monday will save it almost a full percentage point compared with the cost of issuing bonds, the Italian treasury said yesterday.

The latest auction of Italian government bonds denominated in Ecu, known as Certificati del Tesoro (CTEs), resulted in CTEs being sold in January by the Italian treasury at a fixed rate of around 100 basis points over Libor.

The Ecu5bn loan has been priced at 8 basis points over Libor, showing the savings available to borrowers in the market for international credits, where aggressive competition among banks has forced pricing down to very low levels, particularly for sovereign deals.

Mr Vincenzo La Via, of the Italian treasury, said: "The loan will give us as much flexibility as possible, and we are getting an attractive saving."

The funds will be used to pay for maturing CTEs. Around Ecu28bn worth have been issued, of which Ecu7bn mature in 1995.

The performance of CTEs has been volatile, partly due to the arbitrage opportunities allowed by their being liable to 12.5 per cent withholding tax for domestic investors, which non-Italians can reclaim.

Mr La Via said the treasury had hoped that by reducing the size of the CTE market, spreads on remaining issues would tighten. This had already begun, he said. "We expected spreads to come in, which we have seen. They have come in by 5 basis points, at least so far."

J.P. Morgan will co-ordinate the Ecu5bn loan, and international banks will be asked to underwrite Ecu300m amounts.

Globalstar shares priced at $20 each

By Conner Middelmann

A 10m share initial public offering for Globalstar Telecommunications, the partnership formed by Loral Corporation and Qualcomm to design, build and operate a low-earth orbit satellite-based mobile communications system, was priced yesterday at $20 a share.

Pricing was lower than the initially targeted $24 to $26 range, and even below the $21 to $22 indicated late last week, when the offering was reduced to 10m shares from the planned 12m. After launch, the stock traded around $19 in late London dealings.

Nevertheless, Mr Bernard Schwartz, Globalstar chairman and CEO, said: "We're very pleased with the result – it was well within the target range of what we wanted to do."

He said the terms had been scaled back as a result of difficult market conditions and subdued investor demand for a company which would not produce revenues for several years.

Globalstar plans to begin launching satellites in the second half of 1997, to start commercial operations in 1998 and to generate revenues and positive cashflow in the first 12 months of operation.

"We looked at the company and liked it – but the problem is that it doesn't earn any revenues until around 1999," said Mr Michael Mahoney, portfolio manager at the GT Global Telecommunications Fund in San Francisco. "My feeling is: why buy this now?"

In a previous, private financing round Globalstar raised $275m among telecommunications operators and hardware manufacturers. To meet the project's total capital cost of $1.95bn, Globalstar plans to raise more funds through the sale of franchises, vendor financing and short-term borrowing.

Globalstar is just one of several groups competing for capital in the global satellite telecommunications race, and the first to complete a public transaction.

Serial options on gilts start trading on Liffe

By Richard Lapper

Volume in the first day of trading on Liffe yesterday in serial options on the long UK gilt amounted to 400 lots, accounting for just under 3.5 per cent of total volume traded in gilt options.

Serial options, which are listed on some other exchanges, offer expiry months other than the traditional quarterly months of March, June, September and December.

Last year Liffe introduced serial options on the bund and euromark options contracts.

They allow users to benefit from lower premiums and write shorter dated options for income enhancement strategies. They also permit traders to match exchange traded products more closely with those bought and sold in the over-the-counter market.

Following the introduction of serial options, a total of four expiry months will be made available – initially March, April, May and June.

Mr Daniel Hodson, chief executive of Liffe, said the new products had "a positive effect on the overall volume traded in financial options and have enhanced the hedging and trading activities available on the exchange".

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.2500	-0.340	10.29	10.19	7.57
Austria		7.500	01/05	98.7300	+0.050	7.68	7.63	7.70
Belgium		7.750	10/04	98.2100	-0.030	8.03	8.20	8.48
Canada*		9.000	12/04	100.2500	+0.800	8.96	8.94	9.20
Denmark		7.000	12/04	87.9000	+0.150	8.89	8.81	9.09
France	BTAN	8.000	05/98	101.0000	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	96.4600	+0.180	8.01	7.96	8.40
Germany Bund		7.375	01/05	99.4600	+0.110	7.45	7.57	7.57
Ireland		8.250	10/04	93.0000	+0.100	8.76	8.79	8.77
Italy		9.500	01/05	86.0000	-0.300	11.95	10.80	12.03
Japan	No 119	4.800	06/99	103.3700	+0.080	3.91	3.98	3.91
	No 164	4.100	12/03	98.8290	+0.120	4.51	4.56	4.62
Netherlands		7.250	10/04	97.7100	+0.130	7.58	7.53	7.80
Portugal		8.875	01/04	84.5000	-0.050	11.85	11.65	11.63
Spain		10.000	02/05	91.2500	+0.650	11.48	11.45	11.73
Sweden		6.000	02/05	71.8230	-	10.74	10.71	10.88
UK Gilts		6.000	08/99	90-10	-	8.57	8.41	8.62
		8.500	12/05	95-16	-1/32	8.72	8.48	8.72
		9.000	10/08	102-19	+1/32	8.67	8.46	8.68
US Treasury*		7.875	11/04	102-09	+19/32	7.54	7.50	7.84
		7.500	11/24	97-25	+13/32	7.69	7.62	7.88
ECU (French Govt)		8.000	04/04	84.8500	+0.160	8.43	8.38	8.78

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
Prime rate	9	One month	5.70	Two year	7.20
Broker loan rate	8½	Two month	5.80	Three year	7.35
Fed.funds	5⅝	Three month	5.98	Five year	7.48
Fed.funds at intervention	-	Six month	6.37	10-year	7.54
		One year	6.77	30-year	7.64

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.86	111.96	+0.14	112.10	111.84	111,738	149,136
Jun	110.98	111.08	+0.14	111.18	110.96	3,458	11,845
Sep	110.24	110.36	+0.16	110.46	110.24	1,202	1,557

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
111	1.06	-	-	0.10	1.30	-
112	0.37	0.92	-	0.41	-	-
113	0.06	0.54	-	-	-	-
114	0.02	0.29	-	-	-	-
115	-	-	-	-	-	-

Est. vol. total, Calls 15,796 Puts 8,654. Previous day's open int., Calls 194,323 Puts 204,886.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	90.38	90.37	+0.10	90.53	90.30	108674	213402
Jun	89.77	89.77	+0.12	89.84	89.73	4419	10488

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9000	0.50	0.53	0.73	0.89	0.13	0.78	0.96	1.12
9050	0.21	0.34	0.53	0.67	0.34	1.07	1.26	1.40
9100	0.07	0.20	0.26	0.49	0.70	1.43	1.81	1.72

Est. vol. total, Calls 20801 Puts 8681. Previous day's open int., Calls 213483 Puts 175948

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	98.82	98.98	+0.27	100.20	99.80	32665	55311
Jun	98.80	98.88	+0.22	99.00	98.80	1112	2027

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9950	0.89	1.48	0.21	2.10
10000	0.37	1.25	0.39	2.57
10050	0.15	1.04	0.67	2.86

Est. vol. total, Calls 1934 Puts 1840. Previous day's open int., Calls 32237 Puts 30220

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	85.16	85.70	+0.62	85.88	85.16	58,416	48,999
Jun	-	85.19	-	-	-	442	1,040

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	101-01	101-09	+0-02	101-10	100-26	64374	99600
Jun	100-21	101-03	+0-01	101-13	100-31	169	2567

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
101	0-30	1-06	1-29	1-48	0-30	1-00	1-23	1-43
102	0-08	0-41	1-00	1-17	1-08	1-35	1-58	2-11
103	0-02	0-22	0-41	0-57	2-02	2-16	2-35	2-51

Est. vol. total, Calls 5227 Puts 3295. Previous day's open int., Calls 46686 Puts 62914

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.84	81.96	+0.12	82.04	81.82	3,692	6,721
Jun	81.76	81.74	+0.12	81.76	81.76	259	1,500

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	101-20	102-02	+0-15	102-05	101-20	170,618	347,927
Jun	101-08	101-19	+0-16	101-20	101-04	9,815	43,340
Sep	100-26	101-07	+0-14	101-09	100-26	234	8,262

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Mar	108.82			108.85	108.76	775	0
Jun	108.11			108.14	108.06	1202	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Feb 14	Day's change %	Mon Feb 13	Accrued interest	xd adj. ytd		Low coupon yield Feb 14	Feb 13	Yr. ago	Medium coupon yield Feb 14	Feb 13	Yr. ago	High coupon yield Feb 14	Feb 13	Yr. ago
1 Up to 5 years (23)	118.85	-0.02	118.86	1.95	1.40	5 yrs	8.71	8.68	5.96	8.71	8.70	6.22	8.89	8.87	6.32
2 5-15 years (22)	132.71	-0.03	132.76	1.96	1.73	15 yrs	8.59	8.59	6.78	8.71	8.70	6.85	8.91	8.92	7.05
3 Over 15 years (9)	154.02	+0.03	153.96	1.20	2.96	20 yrs	8.55	8.55	6.87	8.71	8.70	6.86	8.83	8.83	7.06
4 Irredeemables (6)	177.39	-0.02	177.43	3.04	0.00	Irred.†	8.58	8.58	6.94						
5 All stocks (60)	135.76	-0.02	135.78	1.86	1.81										

Index-linked							Inflation 5% Feb 14	Feb 13	Yr. ago	Inflation 10% Feb 14	Feb 13	Yr. ago
6 Up to 5 years (2)	186.72	-	186.72	0.45	1.46	Up to 5 yrs	3.85	3.84	2.48	2.83	2.81	1.81
7 Over 5 years (11)	173.80	-0.08	173.93	0.81	0.59	Over 5 yrs	3.93	3.92	3.08	3.75	3.74	2.92
8 All stocks (13)	174.44	-0.07	174.58	0.77	0.66							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 14	Feb 13	Feb 10	Feb 9	Feb 8	Yr ago	High*	Low*
Govt. Secs. (UK)	90.68	90.71	91.23	91.77	91.80	103.85	107.04	89.54
Fixed Interest	109.92	110.14	110.45	110.47	110.45	127.77	133.87	106.80

* for 1994/95. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 13	Feb 10	Feb 9	Feb 8	Feb 7
Gilt Edged bargains	92.2	98.1	90.4	96.1	98.4
5-day average	93.0	90.9	92.3	94.7	92.5

UK GILTS PRICES

FT/ISMA INTERNATIONAL BOND SERVICE

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CURRENCIES AND MONEY

MARKETS REPORT

Sterling sinks to two year low against the D-Mark

Sterling yesterday fell to a two year low against the D-Mark as a combination of political uncertainty and economic gloom undermined sentiment, *writes Philip Gawith.*

It opened in London at DM2.3632, and $1.5542, approximately one cent and one pfennig below where it closed on Monday. The exchange rate index opened at 87, from the previous close of 87.5.

It then traded fairly steadily through the day, before slipping further against the D-Mark in the afternoon. It closed in London at DM2.3563, from DM2.3741 on Monday, and $1.5567, from $1.5636. The index finished at 86.9.

Market sentiment towards sterling is negative, and most analysts expect it to weaken further. The picture, however, is of a market experiencing a bout of nerves, rather than one in outright panic. There was no indication of intervention from the Bank of England to support the pound.

The dollar also had a poor day on the foreign exchanges. Concern about the outlook for US interest rates, and renewed worries about Mexico, weighed on the currency. It finished at DM1.5137, from DM1.5184, and at Y98.68 from Y98.57.

Despite its strength against sterling and the dollar, the D-Mark lost ground against most European currencies. It finished slightly firmer against the lira and the franc, but ended down against the Swedish krone, the peseta, and the Belgian franc.

■ The trigger for sterling's fall was the breach in early trading of the 1994 low for sterling of DM2.3710. This triggered a further technically driven wave of selling. Stop-loss orders are often clustered around key technical levels.

Mr Rob Loewy, head of foreign exchange at Midland Global Markets, said volumes were heavy in the first two hours of trading, but there was little follow-through selling. He said there was "very little domestic selling", with most of the activity coming from international investors.

This wave of technical selling came against a backdrop of political uncertainty, and concern that the UK economy might be on the brink of the unhappy combination of slowing growth and rising inflation.

Also relevant was the positioning of the market: many fund managers had bought sterling in late 1994 on the back of the UK's strong economic fundamentals, especially the improved balance of payments position.

When sterling failed to rally, these fund managers started to unwind their positions. If further reason were needed, it came in the form of political uncertainty. Fears that the government might lose the support of Ulster Unionists, and hence its parliamentary majority, and renewed discord about the Tory position on Europe, caused foreign investors to worry about whether the government could remain in power.

These worries were aggravated on Monday by the release of producer inflation figures that were much worse than market expectations. Mr Kit Juckes, international economist at SG Warburg in London, said inflation was the "real threat" for sterling.

He said worries about inflation had the potential to "gnaw away at confidence in the UK's ability to go it alone" (outside of the ERM). In this scenario, he said, "you are more likely to see a sterling downtrend than a sterling crisis."

The next technical support level for sterling is DM2.35. If it breaches that, analysts believe it is likely to re-test the all time low of DM2.3130, reached in February 1993.

■ The Bank of England cleared a £450m money market shortage at established rates. Three month LIBOR firmed slightly to 6 27/32 per cent, from 6 13/16 per cent.

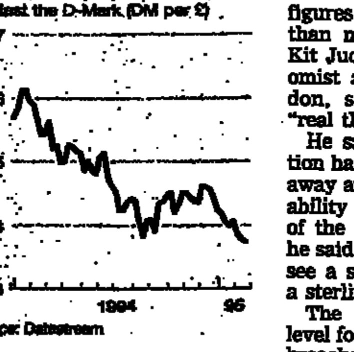
■ The dollar was trading at DM1.5070 at lunchtime in New York, having breached a key resistance level at DM1.5150. It is not far above levels that have previously attracted central bank intervention.

Mr Mike Rosenberg, head of fixed income research at Merrill Lynch in New York, said the market appeared to be saying that the dollar needed wider interest rate spreads than it was likely to get, compared to Germany, if it was to rise.

He cautioned, however, against reading too much into current market moves. With activity levels generally low, the market was liable to "gang up" on currencies, producing moves that were "out of sync" with fundamentals.

Sterling

Against the D-Mark (DM per £)



Source: Datastream

■ **Pound in New York**

Feb 14	—Latest—	— Prev. close —
£ spot	1.5575	1.5635
1 mth	1.5569	1.5626
3 mth	1.5557	1.5616
1 yr	1.5533	1.5542

■ **OTHER CURRENCIES**

Feb 14	£	$
Hungary	177.651 - 178.210	114.150 - 114.450
Iran	2721.00 - 2724.00	1748.00 - 1750.00
Kuwait	0.4649 - 0.4653	0.2987 - 0.2988
Poland	3.8075 - 3.8126	2.4465 - 2.4485
Russia	6640.88 - 6645.55	4266.00 - 4269.00
U.A.E.	5.7132 - 5.7208	3.6716 - 3.6740

POUND SPOT FORWARD AGAINST THE POUND

Feb 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.6256	-0.1002	174 - 337	16.7156	16.5802	16.6131	0.9	16.5794	1.1	-	-	105.4
Belgium	(BFr)	48.4586	-0.4509	321 - 850	48.8910	48.4321	48.3986	1.5	48.2866	1.4	47.7036	1.6	107.5
Denmark	(DKr)	9.2760	-0.0767	717 - 803	9.3600	9.2713	9.2689	0.9	9.2571	0.8	9.1989	0.9	107.0
Finland	(FM)	7.2435	-0.0517	377 - 492	7.2990	7.2377	-	-	-	-	-	-	84.9
France	(FFr)	8.1684	-0.0577	651 - 717	8.2336	8.1631	8.1613	1.1	8.1475	1.0	8.0672	1.2	107.5
Germany	(DM)	[illegible]											
Greece	(Dr)	[illegible]											
Ireland	(I£)	[illegible]											
Italy	(L)	[illegible]											
Luxembourg	(LFr)	[illegible]											
Netherlands	(Fl)	[illegible]											
Norway	(NKr)	[illegible]											
Portugal	(Es)	[illegible]											
Spain	(Pta)	[illegible]											
Sweden	(SKr)	[illegible]											
Switzerland	(SFr)	[illegible]											
UK	(£)	[illegible]											
Ecu	-	[illegible]											
SDR†	-	[illegible]											
Americas													
Argentina	(Peso)	[illegible]											
Brazil	(Cr)	[illegible]											
Canada	(C$)	[illegible]											
Mexico	(New Peso)	[illegible]											
USA	($)	[illegible]											
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]											
Hong Kong	(HK$)	[illegible]											
India	(Rs)	[illegible]											
Israel	(Shk)	[illegible]											
Japan	(Y)	[illegible]											
Malaysia	(M$)	[illegible]											
New Zealand	(NZ$)	[illegible]											
Philippines	(Peso)	[illegible]											
Saudi Arabia	(SR)	5.8379	-0.0259	361 - 397	5.8594	5.8223	-	-	-	-	-	-	-
Singapore	(S$)	2.2638	-0.0085	624 - 651	2.2706	2.2575	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5168	-0.0232	140 - 191	5.5383	5.5018	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.1257	-0.0349	085 - 428	6.1508	6.0939	-	-	-	-	-	-	-
South Korea	(Won)	1229.87	-10.22	948 - 026	1239.06	1226.39	-	-	-	-	-	-	-
Taiwan	(T$)	41.0323	-0.1758	194 - 452	41.2135	40.0194	-	-	-	-	-	-	-
Thailand	(Bt)	38.9775	-0.1751	604 - 945	39.1250	38.8720	-	-	-	-	-	-	-

†SDR rates for Feb 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.6800	-0.017	775 - 825	10.7140	10.6775	10.6725	0.8	10.6527	1.0	10.52	1.5	105.4
Belgium	(BFr)	31.1290	-0.151	200 - 380	31.3180	31.1200	31.1046	0.9	31.0565	0.9	30.834	0.9	107.1
Denmark	(DKr)	5.9588	-0.0227	575 - 600	5.9820	5.9575	5.9566	0.5	5.9538	0.3	5.9448	0.2	105.8
Finland	(FM)	4.6531	-0.0125	506 - 556	4.6864	4.6506	4.6504	0.7	4.6461	0.6	4.6356	0.4	83.9
France	(FFr)	5.2473	-0.0137	465 - 480	5.2715	5.2465	5.2447	0.6	5.2401	0.5	5.2188	0.5	106.8
Germany	(DM)	[illegible]											
Greece	(Dr)	[illegible]											
Ireland	(I£)	[illegible]											
Italy	(L)	[illegible]											
Luxembourg	(LFr)	[illegible]											
Netherlands	(Fl)	[illegible]											
Norway	(NKr)	[illegible]											
Portugal	(Es)	[illegible]											
Spain	(Pta)	[illegible]											
Sweden	(SKr)	[illegible]											
Switzerland	(SFr)	[illegible]											
UK	(£)	[illegible]											
Ecu	-	[illegible]											
SDR†	-	[illegible]											
Americas													
Argentina	(Peso)	[illegible]											
Brazil	(Cr)	[illegible]											
Canada	(C$)	[illegible]											
Mexico	(New Peso)	[illegible]											
USA	($)	[illegible]											
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]											
Hong Kong	(HK$)	[illegible]											
India	(Rs)	[illegible]											
Israel	(Shk)	[illegible]											
Japan	(Y)	[illegible]											
Malaysia	(M$)	[illegible]											
New Zealand	(NZ$)	[illegible]											
Philippines	(Peso)	24.8500	-0.005	500 - [illegible]	[illegible]								
Saudi Arabia	(SR)	3.7502	-	500 - [illegible]	[illegible]								
Singapore	(S$)	1.4542	+0.0022	537 - [illegible]	[illegible]								
S Africa (Com.)	(R)	3.5438	+0.0008	430 - [illegible]	[illegible]								
S Africa (Fin.)	(R)	3.9350	-0.005	250 - [illegible]	[illegible]								
South Korea	(Won)	790.050	-3.05	000 - [illegible]	[illegible]								
Taiwan	(T$)	26.3585	+0.004	570 - [illegible]	[illegible]								
Thailand	(Bt)	25.0385	-0.0015	340 - [illegible]	[illegible]								

†SDR rate for Feb 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 13. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 14	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	4 7/8	5 3/8	5 7/8	5 7/8	6 1/4	7.40	4.50	-
week ago	4 7/8	5 3/8	5 7/8	5 3/4	6 3/8	7.40	4.50	-
France	4 13/16	5 1/2	5 3/4	6 1/8	6 5/8	5.00	-	6.40
week ago	5 3/8	5 1/2	5 7/8	6 1/4	6 5/8	5.00	-	6.40
Germany	4.93	4.95	5.05	5.20	5.65	6.00	4.50	4.85
week ago	4.93	4.96	5.05	5.25	5.70	6.00	4.50	4.85
Ireland	5 1/4	5 7/8	6 1/2	6 7/8	7 5/8	-	-	6.25
week ago	5 1/4	5 7/8	6 1/4	6 7/8	7 5/8	-	-	6.25
Italy	8 1/2	8 3/4	8 7/8	9 3/8	10 1/8	-	7.50	8.23
week ago	8 3/4	8 3/4	8 7/8	9 3/8	9 7/8	-	7.50	8.20
Netherlands	4.84	5.01	5.10	5.28	5.76	-	5.25	-
week ago	4.84	5.01	5.09	5.29	5.79	-	5.25	-
Switzerland	3 3/8	3 3/8	3 3/4	4 1/8	4 3/8	6.625	3.50	-
week ago	3 1/2	3 3/8	3 3/4	4 1/8	4 1/2	6.625	3.50	-
US	6 1/4	6 1/8	6 1/4	6 5/8	7 1/4	-	5.25	-
week ago	6	6 1/8	6 1/4	6 5/8	7 1/4	-	5.25	-
Japan	2 1/2	2 3/8	2 1/4	2 1/2	2 3/4	-	1.75	-
week ago	2 3/8	2 3/8	2 3/8	2 3/8	2 3/4	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6 1/8	6 3/8	6 3/4	7 1/4	-	-	-
week ago	-	6 1/8	6 1/4	6 3/8	7 1/8	-	-	-
US Dollar CDs	-	5.95	6.10	6.40	7.03	-	-	-
week ago	-	5.95	6.04	6.32	6.92	-	-	-
SDR Linked Ds	-	4.625	4.812	5.125	5.687	-	-	-
week ago	-	4.625	4.812	5.126	5.687	-	-	-

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 5 7/8; 6 mths: 6 1/8; 1 year: 6 3/8. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 3/8 - 5 1/4	5 3/4 - 5 5/8	6 1/4 - 6 1/8
Danish Krone	5 1/4 - 5	5 3/4 - 5 1/2	5 7/8 - 5 5/8	6 1/4 - 6	6 3/4 - 6 5/8	7 1/4 - 7 1/8
D-Mark	4 15/16 - 4 13/16	5 - 4 7/8	5 - 4 7/8	5 1/16 - 4 15/16	5 1/4 - 5 1/8	5 11/16 - 5 9/16
Dutch Guilder	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 - 4 7/8	5 1/8 - 5	5 1/4 - 5 1/8	5 3/4 - 5 5/8
French Franc	5 3/8 - 5 1/4	5 5/8 - 5 1/2	5 1/2 - 5 3/8	5 13/16 - 5 11/16	6 1/8 - 5 15/16	6 5/8 - 6 1/2
Portuguese Esc.	8 13/16 - 8 5/8	8 7/8 - 8 3/4	9 1/4 - 9	9 13/16 - 9 9/16	10 1/4 - 10 1/8	10 7/8 - 10 5/8
Spanish Peseta	8 - 7 7/8	8 1/4 - 7 13/16	8 5/8 - 8 1/2	8 7/8 - 8 3/4	9 1/4 - 8 15/16	9 13/16 - 9 9/16
Sterling	6 3/8 - 6 1/4	6 3/8 - 6 1/4	6 3/4 - 6 5/8	6 15/16 - 6 13/16	7 3/8 - 7 1/4	8 - 7 7/8
Swiss Franc	3 1/2 - 3 3/8	3 5/8 - 3 1/2	3 11/16 - 3 9/16	3 15/16 - 3 13/16	4 1/8 - 4	4 1/2 - 4 3/8
Can. Dollar	7 5/8 - 7 3/8	7 3/4 - 7 1/2	7 3/4 - 7 5/8	7 7/8 - 7 3/4	8 1/8 - 8	8 5/8 - 8 1/2
US Dollar	6 3/8 - 6 1/4	6 1/8 - 5 15/16	6 1/8 - 6	6 3/8 - 6 1/4	6 5/8 - 6 1/2	7 1/4 - 7 1/8
Italian Lira	9 - 7 1/2	8 3/4 - 8 5/8	8 7/8 - 8 3/4	9 1/8 - 8 7/8	9 5/8 - 9 1/4	10 1/2 - 10
Yen	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 3/8 - 2 1/4	2 1/2 - 2 3/8	2 13/16 - 2 11/16
Asian $Sing	2 - 1 7/8	1 1/2 - 1 3/8	2 1/8 - 2	2 15/16 - 2 13/16	3 1/2 - 3 3/8	4 1/8 - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.05	94.06	+0.02	94.08	94.02	11,210	45,661
Jun	93.54	93.57	+0.03	93.60	93.51	20,485	44,774
Sep	93.22	93.24	+0.03	93.26	93.19	4,303	35,621
Dec	92.92	92.95	+0.02	92.97	92.90	2,721	18,561

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.58	+0.04			0	1537
Jun		92.96	+0.07			0	523
Sep		92.59	+0.13			0	177
Dec		92.29	+0.17			0	200

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.83	94.84	+0.02	94.86	94.82	12904	182421
Jun	94.44	94.45	+0.02	94.48	94.43	25750	186163
Sep	94.07	94.07	+0.02	94.09	94.04	17549	107699
Dec	93.66	93.67	+0.03	93.70	93.64	10755	83942

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.75	90.82	+0.09	90.85	90.73	5619	35321
Jun	90.02	90.10	+0.09	90.14	90.02	6210	28625
Sep	89.63	89.68	+0.07	89.70	89.63	1285	26196
Dec	89.33	89.37	+0.06	89.39	89.33	635	14737

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.90	95.91	+0.03	95.91	95.88	767	17284
Jun	95.54	95.57	+0.04	95.58	95.54	1855	15367
Sep	95.24	95.27	+0.04	95.27	95.24	475	6152
Dec	95.00	95.01	+0.05	95.01	95.00	102	5794

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.73	93.78	+0.07	93.80	93.67	1129	9188
Jun	93.21	93.27	+0.05	93.29	93.19	1218	6732
Sep	92.79	92.82	+0.04	92.84	92.78	295	3894
Dec	92.35	92.37	+0.02	92.40	92.35	91	1932

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.15	16.86	4.863	2.072	5164	5.447	21.32	502.6	417.8	23.72	4.109	2.064	4.502	3.214	317.0	2.580
Denmark	(DKr)	52.23	10	8.806	2.540	1.082	2697	2.845	11.14	262.5	218.2	12.39	2.146	1.078	2.351	1.679	165.6	1.348
France	(FFr)	59.32	11.36	10	2.884	1.229	3063	3.231	12.65	298.1	247.8	14.07	2.438	1.224	2.670	1.906	188.1	1.530
Germany	(DM)	20.56	3.937	3.467	1	0.426	1062	1.120	4.385	103.4	85.91	4.877	0.845	0.424	0.926	0.661	65.20	0.531
Ireland	(I£)	48.26	9.239	8.135	2.347	1	2492	2.628	10.29	242.5	201.6	11.44	1.983	0.996	2.172	1.551	153.0	1.245
Italy	(L)	1.936	0.371	0.326	0.094	0.040	100.	0.105	0.413	9.732	8.090	0.459	0.080	0.040	0.087	0.062	6.139	0.050
Netherlands	(Fl)	18.36	3.515	3.095	0.893	0.380	948.1	1	3.914	92.27	76.70	4.354	0.754	0.379	0.826	0.590	58.20	0.474
Norway	(NKr)	46.90	8.980	7.907	2.281	0.972	2422	2.555	10	235.7	195.9	11.12	1.927	0.968	2.111	1.507	148.7	1.210
Portugal	(Es)	19.90	3.809	3.354	0.968	0.412	1028	1.084	4.242	100.	83.12	4.719	0.818	0.411	0.896	0.639	63.08	0.513
Spain	(Pta)	23.94	4.583	4.036	1.164	0.496	1236	1.304	5.104	120.3	100.	5.677	0.984	0.494	1.078	0.769	75.89	0.618
Sweden	(SKr)	42.17	8.073	7.109	2.050	0.874	2178	2.297	8.990	211.9	176.2	10	1.733	0.870	1.898	1.355	133.7	1.088
Switzerland	(SFr)	24.33	4.659	4.102	1.183	0.504	1257	1.325	5.188	122.3	101.7	5.771	1	0.502	1.095	0.782	77.15	0.628
UK	(£)	48.45	9.276	8.168	2.356	1.004	2502	2.639	10.33	243.5	202.4	11.49	1.991	1	2.181	1.557	153.6	1.250
Canada	(C$)	22.21	4.253	3.745	1.080	0.460	1147	1.210	4.736	111.6	92.80	5.268	0.913	0.459	1	0.714	70.43	0.573
US	($)	31.12	5.958	5.246	1.513	0.645	1607	1.695	6.635	156.4	130.0	7.380	1.279	0.642	1.401	1	98.65	0.803
Japan	(Y)	31.54	6.039	5.318	1.534	0.654	1629	1.718	6.725	158.5	131.8	7.480	1.296	0.651	1.420	1.014	100.	0.814
Ecu		38.76	7.421	6.534	1.885	0.803	2002	2.111	8.264	194.8	161.9	9.192	1.593	0.800	1.745	1.246	122.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6578	0.6584	+0.0001	0.6588	0.6575	22,329	79,803
Jun	0.6600	0.6603	-	0.6610	0.6597	667	4,165
Sep	-	0.6631	-	-	-	44	751

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0160	1.0144	-0.0019	1.0175	1.0127	17,276	74,617
Jun	1.0250	1.0255	-0.0022	1.0260	1.0240	795	7,863
Sep	-	1.0383	-	-	1.0383	68	789

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7798	0.7795	-0.0005	0.7805	0.7784	15,450	38,971
Jun	0.7840	0.7841	-0.0010	0.7849	0.7838	90	1,816
Sep	-	0.7898	-	-	0.7890	7	184

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5612	1.5534	-0.0088	1.5622	1.5514	9,629	44,235
Jun	1.5580	1.5530	-0.0078	1.5580	1.5510	39	1,645
Sep	-	1.5520	-	-	1.5500	2	6

UK INTEREST RATES

LONDON MONEY RATES

Feb 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 3/8 - 4 1/4	6 1/2 - 6 3/8	6 11/16 - 6 1/2	6 7/8 - 6 11/16	7 1/4 - 7 1/8	7 13/16 - 7 11/16
Sterling CDs	-	-	6 19/32 - 6 17/32	6 13/16 - 6 5/8	7 3/32 - 6 31/32	7 5/8 - 7 1/2
Treasury Bills	-	-	6 1/2 - 6 3/8	6 3/4 - 6 5/8	-	-
Bank Bills	-	-	6 1/2 - 6 7/16	6 13/16 - 6 5/8	6 7/8 - 6 3/4	-
Local authority deps.	6 7/16 - 6 3/16	6 9/16 - 6 7/16	6 5/8 - 6 1/2	6 3/4 - 6 5/8	7 1/8 - 7	7 11/16 - 7 9/16
Discount Market deps	8 - 6 1/2	6 5/8 - 6 1/2	-	-	-	-

UK clearing bank base lending rate 6 3/4 per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5 3/4	5 3/4	6	6 1/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc. Ave. tender rate of discount 6.1166pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1995. Agreed rate for period Feb 26, 1995 to Mar 25, 1995, Schemes II & III 7.87pc. Reference rate for period Dec 31, 1994 to Jan 31, 1995, Schemes IV & V 6.624pc. Finance House Base Rate 7pc from Feb 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.92	92.91	-0.01	92.95	92.90	18305	77679
Jun	92.12	92.14	-	92.19	92.10	39638	84580
Sep	91.63	91.66	+0.01	91.70	91.60	15647	67040
Dec	91.29	91.31	+0.01	91.35	91.25	10220	52821

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9275	0.20	0.04	0.07	0.04	0.65	1.16
9300	0.04	0.01	0.04	0.13	0.87	1.38
9325	0.01	0	0.02	0.35	1.11	1.61

Est. vol. total, Calls 11575 Puts 8489. Previous day's open int., Calls 201681 Puts 171222

EMS EUROPEAN CURRENCY UNIT RATES

Feb 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.12509	+0.00032	-3.26	8.93	-
Belgium	40.2123	39.0089	-0.0077	-2.99	8.63	22
Austria	13.7167	13.3438	+0.0031	-2.79	8.32	-
Germany	1.94964	1.89601	+0.00046	-2.75	8.36	-
Ireland	0.808628	0.805525	+0.003103	-0.38	5.78	3
Denmark	7.43679	7.45902	-0.00703	0.30	5.06	-2
France	6.53883	6.56536	-0.00392	0.41	4.95	-3
Portugal	192.854	195.583	-0.018	1.42	3.91	-10
Spain	154.250	162.542	-1.107	5.38	0.00	-38
NON ERM MEMBERS						
Greece	264.513	297.202	+0.246	12.36	-6.21	-
Italy	1793.19	2008.42	-6	12.00	-5.92	-
UK	0.786749	0.802207	+0.003886	1.96	3.35	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.500	5.34	5.59	5.82	0.01	0.36	0.68
1.525	3.10	3.65	4.01	0.26	0.90	1.33
1.550	1.39	2.16	2.55	0.99	1.83	2.33
1.575	0.44	1.13	1.55	2.53	3.22	3.70
1.600	0.07	0.51	0.85	4.60	5.06	5.46
1.625	-	0.19	0.42	6.99	7.23	7.49

Previous day's vol., Calls 5,430 Puts 15,195 . Prev. day's open int., Calls 231,397 Puts 293,044

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.55	93.59	+0.03	93.60	93.55	87,405	402,889
Jun	92.93	92.99	+0.06	93.01	92.92	89,050	418,329
Sep	92.50	92.62	+0.11	92.65	92.50	61,374	279,740

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.17	94.17	+0.02	94.18	94.16	657	9,215
Jun	93.52	93.56	+0.06	93.56	93.52	972	11,193
Sep	93.13	93.18	+0.09	93.18	93.12	517	5,217

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9475	0.12	0.03	0.04	0.07	0.03	0.33	0.34	0.37
9500	0.01	0	0.01	0.02	0.17	0.55	0.56	0.57
9525	0	0	0	0.01	0.41	0.80	0.80	0.81

Est. vol. total, Calls 3596 Puts 3195. Previous day's open int., Calls 164708 Puts 223918

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.18	0.10	0.08	0.02	0.28	0.56
9600	0.03	0.03	0.03	0.12	0.46	0.76
9625	0	0.01	0.01	0.34	0.69	0.99

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1795 Puts 2016

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		97	-½	117	88¾	12.1	10.3	–
9¼pc Non-Cum Pf		117½	–	137½	107	47.0	10.4	–
Cater Allen		440	–	520¼	436	145.4	7.9	9.2
Close Bros		222	+2	295½	203	220.9	4.0	10.5
Gerrard & Nat		495	-12	615	385	224.8	6.8	13.1
Hambros		237	-1	473	209	418.3	7.9	14.8
7½pc Cv Pf		108½	-½	197	89½	138.8	8.8	–
Joseph (L)		393	–	443	393	20.8	5.6	11.4
King & Shaxson		97	–	170	96	18.9	11.8	9.6
Kleinwort Benson		635	+5	693	434	847.1	3.8	11.2
Rea Bros		64	–	79	53	28.8	1.9	17.9
Schroders		1530	+2	1574	1050	1,539	1.8	14.0
N/V		1368	–	1488	1043	390.1	1.7	12.5
Singer & Fried		85	–	114	75	166.1	4.6	10.9
Union		87	-1	109	87	23.1	8.5	8.8
Warburg (SG)		710	+4	1012	569	1,582	3.9	13.0
Wintrust		228	–	309	200	18.4	5.9	15.0

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Monument		63¾	—	78	55	421.0	–	67.5
New London		5½	—	7½	3¾	5.30	–	–
North Sea Assets		24	—	38	22	12.6	5.7	7.0
OSC		138	+1	198	138	82.8	4.8	11.1
Oceonics		4¼	—	9½	3¾	6.80	–	–
Ohio Res C$		94	+½	102½	57¾	–	–	–
Pacific Energy		3¾	-½	13	2½	2.08	–	–
Pan Pacific		7	—	9	6	13.9	–	–
Pict Petm		184	—	194	140	85.1	–	ϕ
Plateaucroft Res		78	—	111	78	44.9	–	–
Premier Cons		23½	—	32½	21	238.5	–	12.6
Presidio A $		45	—	158	43	10.9	15.5	–
Ramco Energy		331	-4	345	129	63.2	0.2	–
Ranger C$		385	-5	468	325	378.1	5.9	–
Schlumberger $		£35¾	+⅛	£40¾	£32⅞	6,580	2.2	–
Scott Pickford		46	-1	69	43	6.57	2.4	8.9
Seafield Res		65	—	98	50	49.7	–	–
Southern Pacific		21	—	30	16	50.4	–	–
Stirling Res		4¼	+1	11	4¼	3.12	–	–
Sun Resources		9	—	*27¾	9	1.45	–	–
Sundew Energy		1180	—	187	118	3.40	–	–
Tullow		44½	—	48½	19½	81.2	–	–
Tusker E		1½	—	2¾	1¼	4.38	–	–
Utd. Energy		14	—	23	13	4.78	–	–
Vanguard Petm		28¼	—	80¼	24½	18.3	–	–
Victoria Petm		3¾	-½	7¾	3¾	6.04	–	–
XCL $		43	—	110	28	81.2	–	–
5ar A Cv Pf $		825	—	£30½	£25	15.0	23.4	–

OIL, INTEGRATED

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Brit Petroleum		419	-7	437½	340	23,167	3.2	ϕ
Burmah Castrol		880	-2	918	765	1,700	4.0	16.9

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's
Toronto-Dom		9½	-⅛	11¼	8⅔	2,951	4.1
Trans Can Pipe		8⅛	+⅛	10⅔	7⅔	1,473	4.7

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29	—	£34	£13½	1,892	2.5	21.2
Barlow		£5⅔	—	£6¼	£3⅔	1,117	1.8	19.7
Gold Flds Prop R		144xa	—	182	75	14.7	7.6	ϕ
MK Props.		85	—	98	85	3.42	14.3	–
SASOL		479	—	582	280	2,763	3.0	–
SA Brews		£14⅔	—	£18⅔	£10	4,041	2.0	22.4
Tiger Oats		725	—	838	538	1,088	2.1	16.8
Tongaat-Hulett		782	—	*782	356¼	894.5	1.9	21.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Recs excitement fails to aid the Footsie stocks

By Terry Byland, UK Stock Market Editor

A choppy trading session in London stocks reflected new uncertainty over sterling as well as over prospects for this week's flow of important data on the UK and US economies. Official clearance for the £1bn-plus Trafalgar House bid for Northern Electric drove regional electricity stocks ahead but elsewhere the rally soon faded.

Towards the close the FT-SE 100-Share Index fell away steadily in spite of favourable US retail sales figures. The market finished at the low of the day, with the FT-SE 100 showing a net decline of 9.8 at 3,071.3, contrasting sharply with a rise of 16.7 to 3,462 in the FT-SE Mid 250 Index, which takes in most of the regional electricity sector.

The session opened nervously after the latest survey of distributive trades by the Confederation of British Industry disclosed a sharp fall in sales last month – sounding a warning note ahead of publication today of official retail sales figures for January.

But a modest dip in equities was soon recovered when clearance for the Trafalgar House bid revived speculative interest. Weakness in sterling was at first ignored by equities, which took their lead from firmness in UK government bonds.

A series of trading statements from leading UK companies dominated interest. Shares in British Petroleum were unimpressed by the fourth-quarter trading statement and not even the higher dividend payment could bring in the buyers. Reuters, the global business information group, turned easier.

The early gains in share prices lacked conviction and the shine quickly went off equities when the gilt-edged market turned back as sterling continued to slip against the D-Mark. A trading programme from a leading UK brokerage house also failed to support the market.

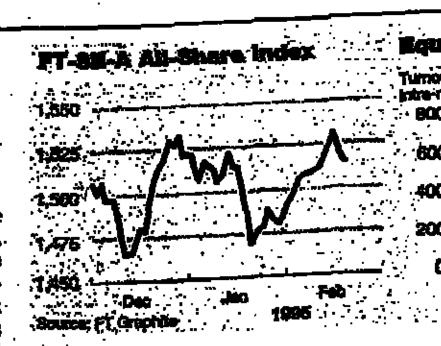
London was moving lower when Wall Street opened, and although the Dow maintained a very modest improvement during UK hours, the Footsie was still weak at the close.

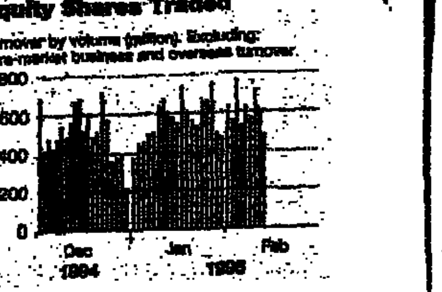
UK analysts commented that the benign move in US retail sales failed to take the market's mind off prospects for today's list of data.

Mid-morning will bring the latest UK retail price index, the prime inflation indicator, to be accompanied by equally significant statistics on domestic retail sales, unemployment, unit wage costs and average earnings. These will test the market's recently recovered confidence that further rises in base rates have become less likely. This confidence has already been jolted this week by an unexpected rise in producer prices in January.

Interest rate optimism will also be tested today by data from the US, where the latest consumer price index and statistics on capacity utilisation and industrial production will present a guide to the pressures on the policies of the Federal Reserve.

Seaq trading volume was boosted by the heavy turnover in utility stocks as bid speculation took off. Just over 706m shares were traded through the Seaq electronic network, compared with Monday's 519m. Retail, or genuine customer, business declined on Monday, with a total value of £989.9m, the first figure below £1bn for some weeks.





Indices and ratios

FT-SE 100	3071.3	-9.8	FT Ordinary Index	2334.7	-9.7
FT-SE Mid 250	3462.0	+16.7	FT-SE-A Non Fins p/e	n/a	(17.89)
FT-SE-A 350	1535.4	-2.1	FT-SE 100 Fut Mar	3071.0	-11.0
FT-SE-A All-Share	n/a	n/a	10 yr Gilt yield	8.76	(8.76)
FT-SE-A All-Share yield	n/a	(4.05)	Long gilt/equity yld ratio:	n/a	(2.18)

Recs up on bid clearance

News that Mr Michael Heseltine, trade and industry secretary, had waved through the Trafalgar House bid for Northern Electric ignited the whole of the electricity sector. His decision also triggered heavy demand for water shares.

One leading marketmaker in the recs said Mr Heseltine's move "means it is now open season for the recs". Northern Electric was the market's top performer, the shares spiralling upwards to close almost 12 per cent higher with a gain of 116 at 1091p. Turnover came to 9.4m shares.

Utilities specialists now expect a strongly phrased defence document on Friday from S.G. Warburg, Northern's City advisers. Analysts believe this may include a 150p a share special dividend as well as a commitment by Northern to pass straight to shareholders the expected windfall from the sale of its stake in the National Grid.

Analysts also believe that Trafalgar will be obliged to increase its offer to at least £12 per share to capture Northern. The green light for the bid was also seen as excellent news for Trafalgar House shares, which finished 3 higher at 69p.

Utilities surge

Stocks in the utilities industry provided the top three performers in the FT-SE 100 list and the top 11 in the FT-SE Mid 250 index as takeover speculation gripped the sectors.

Takeover tales circulating in the market suggested that another bid in the recs could appear as early as this morning, with Yorkshire Electricity the favourite target, closely followed by South Wales Electricity, South Western Electricity, Manweb and Norweb.

"The recs are already worth £10 a share and, with a bid, that figure goes up to £12 to £14 a share," said Mr Douglas Falconer, utilities specialist at Yamaichi Europe, the stockbroker. Mr Angelos Anastasiou, utilities specialist at Panmure Gordon, put forward a takeout price of £11 a share for Yorkshire.

Southern Electricity was the FT-SE 100's best performer, closing 37 higher at 775p, and Eastern Group advanced 26 to 730p, although both stocks are viewed as potential bidders for smaller recs rather than targets for a predator.

Gains among the other recs ranged from London's 4.4 per cent to Manweb's 6.75 per cent. Severn Trent was the strongest feature in the water stocks, closing 21 up at 527p.

Hanson active

A very steep rise in first-quarter profits and fevered bid speculation ensured that Hanson, the international conglomerate, was in the market spotlight yesterday.

The shares were the most heavily traded in London, with 25m changing hands in furious two-way business.

On the downside, there was disappointment that no announcement of a proposed acquisition was made. The market has been on bid alert for weeks and takeover candidates were noticeably strong early yesterday.

Yorkshire Electricity outshone most regional power companies by leaping 9 per cent or 73p to 884p. It was also the most heavily traded rec, with 6.9m shares transacted as several dealers remained convinced that a deal will be announced today.

Meanwhile, Footsie targets Argyll and United Biscuits remained steady, the former a half-penny firmer at 275½p and the latter 4 up at 350p.

Analysts believe that, while Argyll could prove expensive, a bid is in the offing and a move by a UK company would be the most logical – particularly in the light of Hanson's advance corporation tax situation.

Mr Jack L. Kelly of Goldman Sachs commented that Hanson's success with its Quantum acquisition would be an encouragement. "They only acquired it in October 1993 and it has been a real gangbuster."

He believes the conglomerate will continue to benefit from continued economic recovery. As does Panmure Gordon, which reiterated its strong buy stance. However, there is concern that cyclicals might fall out of favour, and Hanson said growth for the rest of the year would not be at the same rate as the first quarter. Hanson shares finished a penny higher at 243½p.

BP sold

A large selling order executed by Goldman Sachs, the US investment bank, undermined the British Petroleum share price, in spite of news of near top of the range fourth-quarter results. A 20 per cent increase in the quarterly dividend to 3p fell only fractionally short of one rather ambitious forecast of 3.1p.

Most analysts expressed general satisfaction with the figures and said BP was on track to meet its new target of $3bn of replacement cost net income by 1996. "If oil prices pick up or refining margins improve, BP might even reach that target a year early," said one specialist.

Mr John Toalster, oil analyst at Strauss Turnbull, described the results as "very pleasing, we still see the shares as undervalued; the only disappointment was the market's reaction".

Mr Steve Turner, oil specialist at Nomura, said: "Underlying earnings were up 33 per cent, which is by far the best performance of any of the international oil majors that have reported so far. To date the best has been Exxon, up 10 per cent. On fundamentals the shares are good value." They settled 7 lower at 418p on 12m traded.

Leisure giant Rank Organisation came under pressure following Monday evening's meeting with the City to discuss its planned disposal of its holding in Rank Xerox which was announced in January.

Several analysts took a bearish view of the meeting, with one suggesting it was "quite heated and antagonistic". The shares responded yesterday by falling 8 to 384p. Mr Andrew Hunter at Hoare Govett, who remains cautious on the stock, said: "The shares are likely to remain dull until the EGM called for later this month to vote on the disposal. Longer term it will be a while before the new investment plans prove their worth." He suggested an acquisition within the next few weeks was one thing that could boost the stock.

Shares in spirits group Allied Domecq fell 13 to 504p in trade of 2.5m after Kleinwort Benson reiterated its cautious stance on the stock. Currency concerns overhung Grand Metropolitan, leaving the shares trailing 8 at 378p.

In transports, bargain hunters helped Eurotunnel recover from a recent decline as the group announced summer fares for its Le Shuttle service. The shares hardened 4 to 296p.

The new fares at Eurotunnel brought fears of tougher competition across the Channel for P&O, which operates ferries. The shares relinquished 6 at 594p in trade of 2m.

Profit-taking in Mersey Docks and Harbour ahead of today's figures saw the shares tumble 14 to 778p.

A two-way pull in industrial group BTR brought heavy volume of 20m. The shares firmed a penny to 316½p.

Stocks in the retailing sector retreated after the publication of a downbeat CBI distributive trades survey indicating a disappointing January for high street retailers. Marks and Spencer gave up 7½ to 389p. Sears closed 3½ lower at 101p after active trading of 5.2m.

FINANCIAL TIMES EQUITY INDICES

	Feb 14	Feb 13	Feb 10	Feb 9	Feb 8	Yr ago	*High	*Low
Ordinary Share	2334.7	2344.4	2364.8	2368.2	2337.7	2609.5	2713.6	2238.3
Ord. div. yield	4.50	4.48	4.44	4.46	4.50	3.53	4.66	3.43
Earn. yld. % full	6.68	6.63	6.57	6.60	6.68	3.86	6.84	3.82
P/E ratio net	17.82	17.89	18.04	17.96	17.82	23.05	23.49	16.91
P/E ratio nil	16.94	17.01	17.16	17.10	16.95	30.46	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40. FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2343.5	2343.8	2337.4	2340.5	2348.9	2344.8	2345.8	2341.6	2337.0	2346.3	2334.7

	Feb 14	Feb 13	Feb 10	Feb 9	Feb 8	Yr ago
SEAQ bargains	23,517	22,282	23,616	24,582	19,972	29,686
Equity turnover (£m)†	-	989.9	1288.0	1661.0	1313.6	1621.0
Equity bargains†	-	31,183	31,442	31,234	27,736	33,606
Shares traded (mil)†	-	495.9	598.5	713.4	574.4	631.3

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	535	Total Highs	24	Total contracts	38,422
Total Falls	586	Total Lows	84	Calls	14,041
Same	1,624			Puts	24,381

Feb. 14*Data based on Equity shares listed on the London Share Service at 12.30.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3086.0	3071.0	-11.0	3099.0	3070.0	13084	61027
Jun	3100.0	3081.0	-10.5	3107.0	3089.0	849	9428
Sep	3125.0	3104.0	-11.0	3125.0	3125.0	50	122

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3456.0	3456.0	+15.0	3456.0	3455.0	20	4011

FT-SE 100 INDEX OPTION (LIFFE) (*3073) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Feb	173	1	123	1	73½	2	30	9½	6	39	1	89	1	139	1	189
Mar	179	9	136	15	95½	25½	62	42	36½	67	19	101	9	143	3½	192
Apr	198	22½	161	35	118	49½	86	69½	61	94	40	123½	25	159	16	200
May	207	34	171	46½	138	63½	108½	84	83½	109	62	137½	45	172	38	208½
Jun†	221½	44½			154	76½			99½	122			68½	161½		

Calls 8,485 Puts 5,618

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Feb	198	1	148½	1	97½	1½	49½	3½	15	19	1½	55½	1	104½	1	154½
Mar	200	5	156	10	113½	18	77	31	47	51	25½	79½	12½	115½	5	158
Apr	209	19	169½	28½	133½	42	101½	59½	75	82½	53½	110	36½	142½	24	179½
Jun			265½	53			141	86½			90½	133½			53½	194
Sept†			243½	71½			188	104			129	149			88	204½

Calls 4,217 Puts 1,063 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Joel Kibazo.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§10	F.P.	17.5	13¼	13	Bath Press	13¼		-	-	-	-
-	F.P.	28.4	56	51¼	Lazard Birla India	54½		-	-	-	-
-	F.P.	3.34	32½	29¼	Do Warrants	32	+¼	-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	34		-	-	-	-
35	P.P.	23.4	36	35	MCIT S Inc	36		-	-	-	-
100	F.P.	40.5	94	80	Matheson Lloyds	81		-	-	-	-
-	F.P.	18.0	130	90	Pentex Oil	90		-	-	-	-
-	F.P.	4.50	11¼	10½	Wessex Trust	11¼	+¼	-	-	-	-
-	F.P.	282.1	128	118	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Feb 13	% chg on day	Feb 10	Feb 9	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1698.13	-1.3	1721.86	1715.36	2093.59	2.25	2237.80	1637.91
Regional Indices								
Africa (16)	2677.63	-1.1	2707.83	2718.22	2565.75	5.13	3711.87	2304.45
Australasia (7)	1893.78	-1.0	1912.08	1938.58	2540.70	0.87	2951.49	1788.20
North America (11)	1382.43	-1.5	1403.43	1402.33	1780.58	0.81	1911.21	1348.18

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Feb 14: 203.2 ; day's change: +0.6 Year ago: 206.1 † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 13	Day's chge%	Feb 10	Feb 9	Feb 8	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3081.1	-0.9	3109.9	3099.0	3072.5	3363.5	4.24	7.19	16.48	7.61	1179.24
FT-SE Mid 250	3445.3	-0.3	3454.1	3440.7	3415.1	4010.6	3.68	6.40	18.63	9.31	1301.60
FT-SE Mid 250 ex Inv Trusts	3454.1	-0.2	3461.6	3447.5	3421.9	4030.6	3.83	6.92	17.38	9.44	1303.09
FT-SE-A 350	1537.5	-0.8	1549.6	1543.9	1531.1	1703.5	4.11	7.01	16.88	3.88	1204.27
FT-SE-A 350 Higher Yield	1562.9	-0.9	1577.1	1568.5	1555.5	1704.6	5.14	7.49	15.97	5.79	1007.18
FT-SE-A 350 Lower Yield	1511.7	-0.6	1521.6	1518.0	1506.3	1659.3	3.07	6.53	17.92	2.01	997.83
FT-SE SmallCap	1720.25	----	1720.73	1718.81	1714.86	2063.97	3.38	6.48	19.34	3.83	1347.59
FT-SE SmallCap ex Inv Trusts	1697.32	----	1696.71	1695.02	1691.56	2045.88	3.58	7.28	17.44	4.01	1334.29
FT-SE-A ALL-SHARE	1519.85	-0.7	1530.85	1525.42	1513.65	1693.98	4.05	6.97	17.05	3.80	1210.60

FT-SE Actuaries All-Share

	Feb 13	Day's chge%	Feb 10	Feb 9	Feb 8	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2699.43	-0.3	2708.44	2698.29	2674.59	2824.12	3.49	5.02	25.20	0.00	1069.61
12 Extractive Industries(7)	3488.72	-1.5	3543.17	3517.21	3460.87	3889.66	3.47	5.58	22.16	0.00	962.69
15 Oil, Integrated(3)	2711.37	-0.1	2713.09	2702.65	2681.80	2559.80	3.59	5.53	22.50	0.00	1119.68
16 Oil Exploration & Prod(15)	1955.82	-0.5	1966.28	1958.43	1944.77	1895.56	2.50	‡	‡	0.00	1131.60
20 GEN INDUSTRIALS(278)	1827.46	-0.7	1841.01	1835.27	1817.38	2177.06	4.28	5.89	20.26	1.77	940.90
21 Building & Construction(38)	959.10	+0.2	957.37	947.16	942.14	1523.93	4.06	6.60	19.72	0.81	757.93
22 Building Matls & Merchs(31)	1762.07	-0.7	1773.92	1764.26	1744.82	2300.09	4.33	6.27	19.24	0.20	838.71
23 Chemicals(23)	2202.98	-0.6	2217.16	2216.77	2207.59	2418.31	4.30	5.36	22.69	0.59	984.56
24 Diversified Industrials(17)	1807.56	-1.3	1831.74	1827.20	1798.27	2146.22	5.16	6.29	18.36	3.06	937.54
25 Electronic & Elect Equip(36)	1895.02	-0.9	1911.51	1911.99	1900.72	2219.79	4.01	6.76	17.55	2.01	937.40
26 Engineering(72)	1747.23	-0.6	1757.65	1749.70	1735.27	1974.30	3.46	5.62	20.89	2.87	1008.82
27 Engineering, Vehicles(13)	2123.07	-0.3	2130.31	2111.42	2095.14	2413.39	4.71	1.83	80.00†	0.18	1039.37
28 Paper, Pckg & Printing(27)	2724.57	-0.1	2728.01	2724.74	2694.59	2951.06	3.30	5.89	19.82	0.17	1078.75
29 Textiles & Apparel(21)	1480.20	-0.3	1484.02	1481.23	1484.14	1990.16	4.58	6.62	19.62	1.60	848.39
30 CONSUMER GOODS(95)	2857.86	-1.0	2886.73	2873.65	2859.31	2906.79	4.30	7.17	16.28	17.60	999.32
31 Breweries(18)	2147.64	+0.1	2145.20	2138.89	2143.82	2207.45	4.46	8.56	14.07	10.49	983.25
32 Spirits, Wines & Ciders(10)	2608.81	-0.3	2616.83	2591.76	2575.38	3038.81	4.37	7.54	15.67	26.30	890.76
33 Food Producers(24)	2350.85	-0.7	2367.09	2344.99	2333.66	2602.89	4.20	7.48	15.86	14.23	1006.34
34 Household Goods(10)	2533.17	-0.1	2536.81	2532.30	2510.41	2826.79	3.51	6.60	18.24	0.45	917.86
36 Health Care(18)	1614.15	+0.1	1612.28	1610.58	1588.54	1863.45	3.09	3.42	40.58	0.58	942.99
37 Pharmaceuticals(13)	3479.56	-1.8	3542.23	3539.39	3522.95	3084.16	4.06	6.20	18.73	25.70	1124.36
38 Tobacco(2)	3794.24	-1.5	3851.89	3834.44	3808.14	4119.04	5.86	9.60	11.37	0.00	865.50
40 SERVICES(231)	1870.58	-0.4	1876.98	1873.17	1865.77	2125.24	3.36	7.27	16.61	4.73	929.43
41 Distributors(32)	2256.61	-0.2	2260.57	2267.67	2271.58	3198.45	4.14	13.78	8.79	1.53	789.08
42 Leisure & Hotels(29)	2116.11	-0.6	2129.25	2120.72	2102.45	2311.24	3.40	5.75	20.78	8.83	1053.77
43 Media(43)	2759.16	-0.8	2782.57	2772.56	2758.66	3286.47	2.56	5.66	20.64	1.99	961.41
44 Retailers, Food(16)	1772.97	-0.1	1774.08	1762.61	1797.53	1619.85	3.71	9.04	13.56	2.54	1071.51
45 Retailers, General(45)	1552.61	-0.5	1560.31	1554.93	1540.84	1779.86	3.45	7.50	16.54	7.47	849.14
48 Support Services(36)	1484.62	----	1484.43	1475.82	1453.19	1782.35	2.83	6.50	18.13	1.08	909.86
49 Transport(21)	2214.15	-0.4	2223.23	2228.75	2205.09	2717.36	3.84	6.86	17.23	3.32	875.87
51 Other Services & Business(7)	1217.29	+0.3	1213.29	1217.35	1210.27	1348.11	3.67	4.56	29.60	5.42	1060.88
60 UTILITIES(37)	2363.93	-1.0	2387.12	2388.86	2366.84	2586.44	4.59	7.56	16.10	6.85	931.40
62 Electricity(17)	2444.79	-0.5	2458.11	2444.84	2424.13	2441.12	4.15	10.34	11.53	19.89	1046.26
64 Gas Distribution(2)	2042.04	-0.5	2051.63	2051.83	2042.04	2202.84	5.87	‡	‡	0.00	959.12
66 Telecommunications(5)	1980.78	-1.5	2011.52	2025.68	2011.89	2312.26	4.13	6.79	17.95	0.13	859.71
68 Water(13)	1733.91	-0.9	1750.04	1744.20	1695.13	1960.58	5.77	13.84	7.89	4.62	884.14
69 NON-FINANCIALS(666)	1645.97	-0.7	1657.99	1653.21	1641.62	1803.59	4.09	6.71	17.89	4.60	1178.94
70 FINANCIALS(119)	2143.90	-0.7	2159.79	2144.23	2119.06	2586.53	4.59	9.47	12.24	2.42	858.95
71 Banks, Retail(9)	2814.56	-1.0	2842.09	2806.51	2779.57	3350.80	4.42	10.23	11.14	4.85	849.04
72 Banks, Merchant(6)	3078.07	-1.1	3112.24	3142.10	3105.74	3567.34	3.61	9.06	12.88	0.00	934.87
73 Insurance(27)	1204.69	-0.5	1210.98	1198.77	1164.24	1461.76	5.49	9.79	11.65	0.57	833.40
74 Life Assurance(6)	2343.18	-0.7	2359.98	2355.41	2345.58	2690.94	5.45	7.95	15.34	0.00	906.84
77 Other Financial(23)	1858.94	-0.2	1862.09	1862.42	1849.93	2196.19	4.01	8.00	14.78	2.11	1006.39
79 Property(46)	1381.27	-0.1	1382.31	1390.10	1375.26	1845.80	4.35	7.73	16.21	0.67	801.85
80 INVESTMENT TRUSTS(133)	2628.80	-0.5	2642.10	2635.27	2619.16	2990.79	2.38	2.04	48.97	5.00	889.90
89 FT-SE-A ALL-SHARE(918)	1519.85	-0.7	1530.85	1525.42	1513.65	1693.98	4.05	6.97	17.06	3.80	1210.60
FT-SE-A Fledgling	983.59	-0.1	984.10	983.36	983.24	-	2.91	-	-	2.42	985.99
FT-SE-A Fledgling ex Inv Trusts	985.20	----	985.27	984.65	984.99	-	3.07	-	-	2.56	987.74

Hourly movements 14/2/95

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3079.0	3082.1	3074.8	3078.4	3084.4	3085.9	3086.1	3080.5	3073.0	3087.3	3071.2
FT-SE Mid 250	3444.1	3444.8	3439.2	3440.0	3470.1	3471.0	3467.8	3468.4	3462.6	3472.1	3439.1
FT-SE-A 350	1536.6	1537.8	1534.6	1535.9	1541.3	1542.0	1541.7	1539.6	1536.1	1542.4	1533.9

Time of FT-SE 100 Day's high: 2.33pm Day's low: 4.24pm. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

FT-SE Actuaries 350 Industry baskets 14/2/95

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	901.7	901.9	898.8	897.7	897.6	898.1	896.1	896.1	894.3	894.3	904.1	-9.8
Pharmaceuticls	3451.7	3453.1	3453.8	3467.8	3475.3	3478.8	3480.6	3474.5	3475.0	3477.9	3449.1	+28.8
Water	1734.1	1733.2	1722.4	1722.7	1807.2	1819.0	1808.4	1806.0	1790.5	1791.5	1728.6	+62.9
Banks, Retail	2841.9	2848.2	2844.2	2844.7	2844.4	2849.5	2849.7	2848.1	2847.8	2844.5	2850.5	-6.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION : Pict Petroleum (16). Due to technical problems FT-SE Actuaries Share Indices were unavailable for this edition.

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	243	357	+½
ASDA Group†	12,000	65½	+¼
Abbey National†	2,100	439½	-½
Albert Fisher	186	44	-1
Allied Domecq†	2,800	504	-13
Anglian Water	4,300	498	+20
Argos	553	352	-2
Argyll Group†	3,800	275½	+½
Arjo Wiggins†	1,400	226	-8½
Assoc. Brit. Foods†	287	605	-2½
Assoc. Brit. Ports	409	275	-8
BAA†	1,800	459	-1
[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 14 / Sch)

BELGIUM/LUXEMBOURG (Feb 14 / Frs.)

CZECH REP (Feb 14 / Koruna)

DENMARK (Feb 14 / Kr)

FINLAND (Feb 14 / Mks)

		+/-	High	Low	Yld	P/E
MetsSB	185	...	218	182	1.1	—
Nokia	725	+11	770	687	0.4	—
NokiaP	728	+14	770	686	0.4	—
OrkmpA	79.60	+.30	92.70	79	—	—
Partek	80	—	98.50	57.90	—	—
PohjA	58	—	87.50	51	1.8	—
PohjB	52	+.50	53.50	47.60	1.8	—
RautrK	35.80	–1.10	41.50	35.60	—	—
Repola	84.80	+.80	89.70	80	1.2	—
SampoA	205	—	220	194	—	—
StopbA	3.05	+.05	3.20	2.05	—	—
Stockm	242	+2	282	235	2.5	—
StckmB	210	–2	240	205	2.9	—
Tmpell	11.80	–.10	15.10	11.80	—	—
Tamro	22.80	–.20	23.80	21.80	—	—
Unitas	14.50	+.30	14.80	11	—	—
Unitas	14.50	+.50	14.80	10.90	—	—
Valmet	82	+2	99	78	—	—

FRANCE (Feb 14 / Frs.)

GERMANY (Feb 14 / Dm.)

GREECE (Feb 14 / Drachma)

ITALY (Feb 14 / Lira)

NETHERLANDS (Feb 14 / Fls.)

NORWAY (Feb 14 / Kroner)

POLAND (Feb 13 / Zloty)

PORTUGAL (Feb 14 / Escudo)

SPAIN (Feb 14 / Pta.)

SWEDEN (Feb 14 / Kronor)

SWITZERLAND (Feb 14 / Frs.)

TURKEY (Feb 14 / Tk Lira)

PACIFIC

JAPAN (Feb 14 / Yen)

AUSTRALIA (Feb 14 / Aust$)

HONG KONG (Feb 14 / H.K.$)

INDONESIA (Feb 14 / Rupiah)

MALAYSIA (Feb 14 / MYR)

NEW ZEALAND (Feb 14 / NZ $)

SINGAPORE (Feb 14 / S$)

SOUTH KOREA (Feb 14 / Won)

		+/-	High	Low	Yld	P/E
GoldCo	27,200	–600	30,800	25,600	—	—
HyEngC	36,800	–1,300	41,000	33,100	—	—
KorEP	28,200	–800	27,400	23,200	—	—
KFstBk	8,800	–200	10,900	8,800	—	—
KMTele	465,000	+5,000	471,000	385,500	—	—
PohgSt	60,000	–1,200	63,700	53,800	—	—
SamElc	110,000	–500	115,000	93,000	—	—
SamgHl	28,400	–900	33,000	25,600	—	—
Yukong	34,300	–500	37,400	31,400	—	—

TAIWAN (Feb 14 / TW $)

		+/-	High	Low	Yld	P/E
CL Ins	180	–2	203	176	—	—
CH Bnk	186	—	196	165	—	—
ChiDev	126.50	–1	148	120	—	—
ChiSS	28.60	+.10	33.50	28.40	—	—
FrstBk	185	...	199	161	—	—
NYPstc	60.60	+.50	65	53	—	—
SHK Li	102.50	...	114	98	—	—
TaiSed	148.50	–.50	168	136	—	—

THAILAND (Feb 13 / Baht)

		+/-	High	Low	Yld	P/E
Advinf	336	—	382	284	—	—
BgkBnk	212	—	282	198	—	—
BgkLnd	47.60	—	62.50	46	—	—
DhSiam	185	...	200	141	—	—
FinOne	148	...	158	108	—	—
KrThBk	80.50	...	82.50	76.50	—	—
LndHou	452	...	488	320	—	—
PhThen	182	...	198	152	—	—
SiamCi	392	...	436	328	—	—
SiamCm	230	...	246	181	—	—
TelAs	84.50	...	90	66	—	—
ThaiFm	212	—	228	173	3.1	—

NORTH AMERICA

CANADA

TORONTO (Feb 14 / Can $)

4 pm close

MONTREAL (Feb 14 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Feb 14 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). x Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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INDICES

	Feb 14	Feb 13	Feb 10	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	14093.26	14293.20	25476.46	16/2/94	13836.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1834.8	1846.3	1846.0	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	805.5	813.4	813.7	1138.10	3/2/94	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	365.61	364.03	363.65	480.66	2/2/94	361.34	3/2/95
Traded Index(2/1/91)	986.94	983.37	981.05	1222.25	1/2/94	958.30	3/2/95
Belgium							
BEL20 (1/1/91)	1358.40	1357.14	1358.15	1542.65	9/2/94	1338.39	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	32946.0	33077.0	55118.80	13/9/94	3600.80	3/1/94
Canada							
Metals Mins♦(1975)	(u)	3855.19	3902.76	4326.67	18/1/95	3290.08	20/4/94
Composite♦ (1975)	(u)	4100.40	4110.60	4669.86	23/3/94	3950.80	24/6/94
PortfolioSS (4/1/83)	(u)	2015.04	2020.39	2192.89	1/2/94	1968.48	22/6/94
Chile							
IPSA Gen (31/12/80)	(u)	5405.5	5412.2	6754.40	21/11/94	3801.29	4/4/94
Denmark							
CopenhagenSE(3/1/83)	356.65	357.07	356.16	415.79	2/2/94	335.66	20/12/94
Finland							
HEX General(28/12/90)	1834.6	1824.9	1831.0	1972.00	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1225.89	1228.01	1235.43	1585.29	2/2/94	1176.82	23/1/95
CAC 40(31/12/87)	1856.09	1850.31	1869.40	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	793.96	790.40	791.97	859.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2264.20	2250.9	2252.8	2465.50	2/5/94	2118.39	5/10/94
DAX (30/12/87)‡	2133.24	2116.95	2130.15	2271.11	16/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	846.37	835.36	807.50	1194.56	18/1/94	769.22	8/2/95
Hong Kong							
Hang Seng(31/7/64)	7862.67	7974.82	8012.82	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3515.99	3508.04	3522.14	4628.57	12/9/94	3411.04	24/1/95
Indonesia							
Jakarta Comp.(10/8/82)	464.10	465.70	453.31	612.99	5/1/94	432.96	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1889.31	1893.54	1902.77	2082.16	20/1/94	1684.14	1/7/94
Italy							
Banca Comm Ital (1972)	668.74	670.94	680.54	817.17	10/5/94	581.84	13/12/94
MIB General (2/1/85)	1057.0	1061.0	1076.0	1676.00	10/2/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18138.47	18313.88	18291.35	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	258.32	261.41	261.61	311.71	13/6/94	254.80	23/1/95
Topix (4/1/68)	1409.37	1425.40	1426.29	1712.73	13/6/94	1390.89	23/1/95
2nd Section (4/1/68)	1843.49	1865.78	1876.30	2542.65	6/7/94	1843.49	14/2/95
Malaysia							
KLSE Comp.(4/4/86)	972.99	980.42	980.38	1314.46	5/1/94	840.57	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1930.17	1968.30	2881.17	8/2/94	1898.80	31/1/95
Netherland							
CBS TtlRtnGen(End 83)	445.7	446.2	447.0	464.90	31/1/94	408.39	21/6/94
CBS All Shr (End 83)	279.6	279.8	280.4	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1957.46	1958.07	1957.93	2439.84	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1136.66	1140.71	1147.25	1211.16	28/2/94	880.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2880.51	2841.79	2824.46	3308.37	4/1/94	2374.86	24/1/95
Portugal							
BTA (1977)	2773.5	2783.7	2786.0	3226.80	18/2/94	2812.89	20/9/94
Singapore							
SES All-S'pore(2/4/75)	510.42	512.92	512.84	641.81	4/1/94	472.90	23/1/95
South Africa							
JSE Gold (28/9/78)	1602.0♥	1593.6	1627.6	2694.60	7/8/94	1495.39	30/1/95
JSE Ind. (28/9/78)	6341.8♥	6379.7	6386.7	6904.40	30/12/94	5449.08	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	941.49	957.10	955.31	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	288.14	288.95	289.46	358.31	31/1/94	276.85	11/1/95
Sweden							
AffarsvarldenGen (1/2/37)	1553.8	1553.3	1558.10	1603.96	31/1/94	1334.76	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1257.80	1252.82	1253.43	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	927.22	925.23	925.65	1033.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6504.59	6498.21	6554.78	7181.33	1/11/94	6194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	(c)	1283.87	1301.97	1763.33	4/1/94	1181.28	23/1/95
Turkey							
Istanbul Comp.(Jan 1986)	27340.8	26997.0	26918.0	29145.10	2/12/94	12869.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	613.2*	615.9	616.8	649.99	2/11/94	581.89	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1345.14	1342.94	1348.30	1540.19	31/1/94	1288.48	5/10/94
Euro Top-100 (26/6/90)	1180.39	1188.71	1189.05	1311.01	2/2/94	1138.49	5/10/94
JCapelDrgns (31/12/88)	(u)	298.18	293.61	395.19	5/1/94	281.46	23/1/95
Barings Emerg.(7/1/92)	137.89	139.33	139.63	191.79	28/9/94	134.87	31/1/95

Sat Feb 11: Taiwan Weighted Price 6585.24; Korea Comp Ex 953.71. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 14 - 2126.33 +8.37.

US INDICES

Dow Jones	Feb 13	Feb 10	Feb 9	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3954.21	3939.07	3932.68	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.45	95.52	95.63	105.81 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.89 (1/10/81)
Transport	1557.03	1542.13	1503.24	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	192.58	193.05	193.12	227.86 (3/1/94)	173.94 (22/11/94)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3974.74 (3962.96) Low 3920.57 (3908.46) (Theoretical♦)
Day's high 3955.90 (3944.79) Low 3935.03 (3923.63) (Actual♦)

Standard and Poors	Feb 13	Feb 10	Feb 9	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	481.65	481.46	480.19	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	568.50	568.05	567.18	568.49 (13/2/95)	510.05 (21/4/94)	568.49 (13/2/95)	3.62 (21/6/32)
Financial	45.17	45.16	45.36	48.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	261.85	261.80	261.21	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	447.80	447.85	446.33	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	788.40	790.43	785.44	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Feb 10	Feb 3	Jan 27	Year ago
Dow Jones Ind. Div. Yield	2.72	2.73	2.79	2.58
	Feb 8	Feb 1	Jan 25	Year ago
S & P Ind. Div. yield	2.38	2.42	2.43	2.46
S & P Ind. P/E ratio	19.38	18.96	18.90	27.44

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Glaxo	4,982,300	20¼	-¾
Ford Motor	4,146,300	25⅝	-⅛
Telefonica	3,435,200	36¼	-¾
RJR Nabisco	3,323,800	5⅞	...
Telefonos	3,280,200	31⅞	-1⅛
SW Airline	2,881,400	17⅞	-1⅜
Gen Motors	2,829,600	40¼	+⅜
EMC	2,684,200	17½	-¾
Micron	2,517,900	52¼	+⅛
GTE	2,427,000	34¼	+⅜

■ TRADING ACTIVITY

● Volume (million)

	Feb 13	Feb 10	Feb 9
New York SE	255.126	295.553	325.548
Amex	13.659	13.935	17.181
NASDAQ	273.753	338.359	389.345
NYSE			
Issues Traded	2,954	2,921	2,948
Rises	1,134	1,216	1,124
Falls	1,076	912	1,074
Unchanged	744	793	750
New Highs	72	48	58
New Lows	23	24	28

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40							
Feb	1869.0	1866.0	+9.0	1867.5	1861.0	13,287	26,457
Mar	1874.5	1873.5	+9.0	1876.0	1871.0	463	23,071
■ DAX							
Mar	2140.0	2139.0	+3.5	2146.0	2135.5	12,890	N/A
Jun	2160.0	2158.5	+3.5	2165.5	2158.0	700	N/A
■ OMX							
Feb	1191.00	1195.50	+6.00	1199.00	1181.00	4,216	21,044
Mar	1195.50	1205.75	+10.25	1205.75	1195.50	1,993	4,292
■ SOFFEX							
Feb	2645.5	2638.0	+5.00	2650.0	2637.0	5,276	13,185
Mar	2650.0	2645.8	+5.00	2657.0	2643.0	2,698	4,005

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	483.35	484.35	+1.00	484.70	483.10	48,014	196,570
Jun	488.60	488.60	+1.20	488.60	486.60	1,092	17,711
■ Nikkei 225							
Mar	18200.0	18220.0	-200.0	18270.0	18120.0	30,207	125,177
Jun	18260.0	18260.0	-180.0	18310.0	18170.0	1,651	19,024

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, February 14, 1995

	Stocks Traded	Closing Prices	Change on day
Sumitomo Const	15.1m	752	–12
Fudo Const	11.9m	1170	–80
Penta Ocean	11.7m	814	–28
Aoki Corp	5.1m	503	–20
Nippon Steel	3.8m	348	–4
NEC Corp	3.4m	910	–14
Obayashi Corp	3.3m	741	–26
Mitsubishi Hvy	3.0m	623	–24
Toyo Const	2.9m	666	–30
Daisue Const	2.9m	875	–15

4 pm close February 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
14¼	13	AAR	0.48	3.5	24	78	13⅞	13⅝	13¾	
21⅞	19¼	ALPharmaA	0.18	0.8	48	158	21⅜	21	21⅜	+¼
75¼	70¼	AMP	1.84	2.5	20	2065	73¾	73⅜	73⅝	-⅛
61⅝	53⅛	AMR			26	6843	60½	59¾	60	
46⅞	41⅞	ASA	1.71	3.9	29	173	44¼	44⅛	44⅛	-⅛
36	30¾	AbbtL	0.84	2.4	18	11226	34⅞	34⅜	34⅝	-⅛
14	13	Abitibi Pr	0.50	3.8	11	284	13¼	13⅛	13⅛	-⅛
24⅜	22⅜	ABM Ind	0.60	2.7	13	75	23¼	22⅝	22⅝	-⅝
16⅝	14½	AcpIncein			12	236	16¼	16	16⅛	+¼
25⅞	21⅞	ACE Ltd	0.44	1.8	8	33	25¼	24¾	24¾	-⅛
9¾	9⅛	ACM Gvt In	1.09	11.4	8	260	9⅝	9½	9⅝	+⅛
7½	7⅛	ACM GvOpp	0.80	11.0		45	7¼	d7⅛	7¼	
7½	7	ACM Gvt Sp	0.96	13.2		387	7⅜	7⅛	7¼	-⅛
8⅝	8	ACM Gvt Se	1.09	12.9		1359	u8⅝	8⅜	8½	
8½	7⅝	ACM Man	1.08	13.7		192	7⅞	7¾	7⅞	
7⅝	7¼	ACM Managd	0.72	9.8		73	7⅜	7⅜	7⅜	
16¼	10¼	AcmeCv	0.48	3.0	9	119	16	15⅝	16	+⅜
21½	12⅞	Acme Elect			21	122	19⅛	18⅞	19⅛	-⅛
34⅜	31⅞	Acordia	0.72	2.1	17	71	u34½	34⅛	34¼	-⅛
11⅞	8⅝	Actava	0.36	3.3	3	369	11⅛	10¾	10⅞	-⅛
16¾	13	Acuson			21	573	13¾	13¼	13⅜	-⅛
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4 pm close February 14

NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

4 pm close February 14

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AMEX COMPOSITE PRICES

4 pm close February 14

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AMERICA

Sales data fail to give direction

Wall Street

US share prices edged down yesterday morning as data on January retail sales failed to provide the market with direction and investors awaited more figures due out today, *writes Lisa Bransten in New York.*

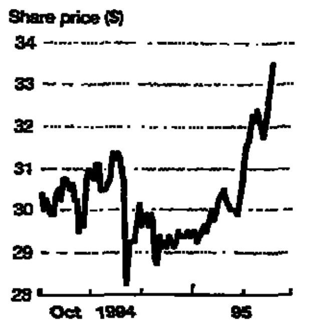
At 1 pm the Dow Jones Industrial Average was off 2.69 at 3,951.52. The Standard & Poor's 500 lost 0.61 at 481.04 and the American Stock Exchange composite shed 0.41 to 447.19. The Nasdaq composite eased 0.33 to 789.03. Volume on the NYSE was 172m shares.

According to the Commerce Department, retail sales rose only 0.2 per cent in January, and 0.4 per cent excluding auto sales. Relatively strong gains in non-durable goods such as department store merchandise and petrol were offset by weakness in sales of durable goods such as cars and furniture.

Although the figures were weaker than expected, they generally fell in line with trends predicted by economists because their release was accompanied by upward revisions to November and December figures.

Mr Ed Yardini and Ms Debbie Johnson at C.J. Lawrence/Deutsche Bank Securities offered ambiguous commentary on the slightly weaker than expected sales figures. "We do not think (a) soft landing has started, but it is possible," they said.

American Express



Source: FT Graphite

Almost immediately investors turned their attention to figures on capacity utilisation and consumer spending due out today. Economists expect those figures will continue to indicate robust economic growth, especially at early levels in the production cycle, so investors continued to worry that the Federal Reserve might raise interest rates again in the near term.

Retailers were mixed after the figures were released. Sears Roebuck lost $⅞ at $47 and Toys R Us slipped $⅛ to $29⅝, while Dayton Hudson gained $⅝ at $73⅞ and The Limited advanced $⅜ to $18.

Mr Warren Buffet moved the market yesterday after Securities and Exchange Commission filings showed that his company, Berkshire Hathaway, had lifted its stake in American Express to nearly 10 per cent. Shares of American Express jumped more than 4 per cent or $1⅜ to $33⅛ on the news. Mr Buffet said he would seek approval to raise his share above 10 per cent.

Revco D.S. lost nearly 14 per cent of its value, falling $3 to $18⅝, after two analysts downgraded their recommendations on the shares in the drug retailer.

Eli Lilly retreated $⅝ to $64 after the pharmaceuticals company reported earnings below analysts' projections. The company put net income for the fourth quarter at $1.00 per share, where analysts had expected earnings of $1.05 per share.

Canada

Toronto edged lower at midday as investors awaited news of the Bank of Canada's key lending rate, with money market traders forecasting a modest rise in the bank rate.

The TSE-300 composite index was 1.40 softer at 4,099.00 by noon in volume of 27.6m shares.

Hayes-Dana forged ahead C$5¾ to C$17½ after the Ohio-based Dana group said that it planned to offer C$17½ a share for the stake it did not already own.

Mexico makes gain

Equities rose in early trading on reports that the governor of Chiapas had resigned in an effort to bring peace to the war-torn state.

The IPC index was up 15.87 at 1,946.04 in light turnover.

SAO PAULO recovered some composure at midsession, having fallen 4 per cent at the opening. The Bovespa index was down 736 or 2 per cent at 32,213 at 1 pm in turnover of R$271m ($325m).

Analysts said the fact that President Fernando Henrique Cardoso intended to send reform proposals to Congress in a piecemeal fashion weighed on sentiment.

Telebras preferred fell 1.1 per cent to R$26.40.

BUENOS AIRES was down 3 per cent, breaking through a key resistance level. The Merval index stood at 375.05, ahead of Argentina's first Treasury bill auction of 1995 later in the session.

LIMA advanced 5 per cent, led by gains in blue chips as investors responded to news that Peru and Ecuador had agreed to a ceasefire in a border conflict. The general index was 56.21 ahead at 1,102.4.

Golds overcome early losses

Gold shares recovered early declines in Johannesburg as bullion posted a mild gain and sentiment towards the metal improved. However, the recovery was limited by the continued strength of the financial rand following comments by President Nelson Mandela late on Monday that the country was considering dropping the dual-currency system.

The overall index dipped 29.5 to 5,183.5 and industrials fell 37.9 to 6,341.8 but golds ended 9.3 ahead at 1,602.9.

Iscor came under pressure but closed off the day's worst. It was finally 15 cents off at R4.20, having touched R4.08, after announcing on Monday that it was going ahead with its R1.3bn rights issue at R3.80 a share.

EUROPE

Pechiney International declines 8.8% in Paris

Modest turnover characterised equity markets, while the latest US economic data failed to excite.

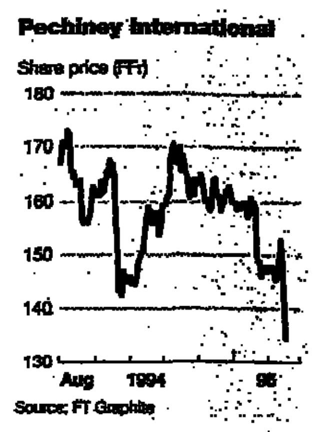
Mr Joe Rooney, Lehman Brothers European equity strategist, yesterday cut his weighting in the Netherlands to neutral, and increased exposure to the Swiss and Swedish markets. He explained that he expected to see "a decline in the risk premium in European financial assets and consequently investors should be prepared to become less risk adverse".

As a result of the change Royal Dutch and Elsevier were to be removed from Lehman's recommended portfolio, and Volvo and Nestlé included, to reflect a more positive stance towards the consumer cyclical sector at the expense of the energy sector.

PARIS failed to hold on to earlier highs and the CAC-40 index finished with a gain of 5.78 at 1,856.09, after a high of 1,865.07. Turnover was FFr2.6bn.

Pechiney International suffered a sharp fall following the release of disappointing 1994 results, released after hours on Monday, which surprised analysts by the size of the loss.

Pechiney International



Source: FT Graphite

The shares dropped FFr13.20 or 8.8 per cent to FFr136.80 in high turnover.

Mr Lionel Rayon of Nomura in Paris commented that in spite of the negative results he still believed that the packaging company, in which Pechiney, the state aluminium group, holds a 67 per cent stake, had "upside potential" in 1995 and 1996.

But, he added, the company now had to demonstrate to investors that the new management team was seriously addressing strategic issues. "Credibility in the management of the company has been shaken," he said, "and the market now wants tangible signs that things are beginning to turn around." This would be revealed in September when the company was due to publish first-half 1995 figures.

Alcatel Alsthom, down FFr4.00 to FFr441.10, published good 1994 sales figures which could prompt a rise in the stock today, brokers said. Its subsidiary, Alcatel Cable, lost FFr17 or 4.3 per cent at FFr374.

FRANKFURT made ground during official hours but slipped back in the Ibis in reaction to US retail sales data.

The DAX index ended up 16.29 at 2,133.24, while the Ibis settled at 2128.33. Turnover was DM6.7bn.

Construction stocks did well, with Bilfinger & Berger up DM20 to DM745, and Holzmann DM2 higher at DM787 ahead of the release of 1994 sales and earnings figures today.

Lufthansa added DM2 at DM206, helped by reports that European airlines were finally emerging from the recession, with passenger numbers rising.

MILAN was mixed at the end of the February account, with the Comit index falling 2.20 to 608.74 but the real-time Mibtel index registering a rise of 33 at 10,722.

Telecom Italia was one bright spot, rising L68 or 2.2 per cent to L4,525 on the back of US demand which emerged after the retail sales figure was released early in the afternoon.

The insurers also put in positive performances in response to foreign demand, with Ras L75 higher at L17,938 and Generali gaining L346 at L39,581.

A L15 fall in Montedison to L1,244 was attributed to rumours that a leading investment bank was downgrading its view of the company, which many analysts are expecting to have broken even at operating level last year.

Olivetti continued on its downward path, giving up L38 to L1,906, while Fiat was L27 lower at L6,516 in spite of news that it had regained second place in the European new car registrations league in January, its best performance for two years.

ZURICH finished higher, but below its best levels, in low volumes, with the day's US retail data failing to enliven trading. The SMI index moved forward 6.4 to 2,642.4.

UBS bearers were actively traded but they managed to pick up just SFr1 to SFr1,038, with the bank again said to be buying its own stock.

Chemicals saw demand, with Roche certificates firming SFr40 to SFr6,780 and Sandoz gaining SFr14 at SFr712 as renewed demand was seen from London investors.

SMH advanced SFr21 to SFr656, with ABN-Amro, which has recommended the stock, said to be a big buyer.

MADRID overcame early indecision which followed stronger than expected January CPI data to end near the day's highs in lively trading.

Analysts said that a 1 per cent rise in January inflation, which was well below expectations, prompted initial speculations that next month's figure could disappoint. However, the caution subsequently gave way to optimism and the General index rose 2.19 to 289.14 in turnover of Pta24.6bn.

STOCKHOLM was underpinned by hopes of good company reports. The Affärsvärlden general index added 10.50 at 1,553.80. Ericsson was the most traded share in turnover of SKr372m as the stock rose SKr8 or 1.9 per cent to SKr438.5, while Volvo fell SKr0.50 to SKr148.50 in technical trade.

COPENHAGEN was flat in spite of a sharp fall in Unibank, the second largest banking group. The Top 20 KFX index edged 0.08 higher to 96.15 as Unibank fell DKr8 to DKr228 on profit-taking and foreign selling of the stock.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Feb 14 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1345.86	1345.16	1345.50	1346.15	1346.91	1347.13	1346.15	1345.14
FT-SE Eurotrack 200	1396.39	1396.32	1397.53	1396.78	1399.63	1399.29	1397.36	1394.81

	Feb 13	Feb 10	Feb 9	Feb 8	Feb 7
FT-SE Eurotrack 100	1342.94	1348.30	1347.04	1334.40	1340.47
FT-SE Eurotrack 200	1398.45	1406.41	1403.33	1390.39	1397.72

Base 1000 (26/10/90) High/day: 100 - 1347.48; 200 - 1400.67 Low/day: 100 - 1344.53 200 - 1393.89 † Partial

ASIA PACIFIC

Nikkei easier as Deng health reports restrain region

Tokyo

Shares slipped as profits were taken on construction issues and corporate shareholders sold stock ahead of the March year-end book closing, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average lost 175.39 at 18,138.47 after a day's low of 18,065.13 and high of 18,277.44. Investor confidence was depressed by the announcement on Monday by Japan Securities Finance, the company which lends out stocks for margin trading, that it was running short of Fudo Construction shares.

Growing worries over reports that Mr Toshio Yamaguchi, secretary general of the New Frontier party, the main opposition group, had been close friends with Mr Harumori Takahashi, owner of a speculative property development company and former president of one of the two credit unions bailed out by financial authorities, also hit trading in the afternoon.

Mr Yamaguchi subsequently announced his resignation from the party's post, further damaging investor confidence and raising fears of political turbulence. Mr Takahashi is well known for his links to politicians on both the ruling and opposition parties.

Volume totalled 260m shares, against 286m. Individuals sold construction shares, while overseas investors and companies took profits on their blue chip holdings. Traders said the rise in the yen partly prompted selling by foreigners.

The Topix index of all first section stocks shed 16.03 to 1,409.37 and the Nikkei 300 declined 3.09 to 258.32. Falls led advances by 783 to 200, with 205 issues unchanged. But in London the ISE/Nikkei 50 index edged up 1.06 to 1,155.29.

Sumitomo Construction, the day's most active issue, fell Y13 to Y752, while Fudo Construction dropped Y80 to Y1,170. Dredging companies were also lower, with Penta-Ocean Construction retreating Y26 to Y814.

Sega Enterprises fell Y200 or 4 per cent to Y4,640 on reports that it might be losing a battle with Sony over a new generation of video game machines. The shares had been dropping for the past few days, after rising to Y5,180 on February 2.

Overseas investors liquidated holdings in the electrical sector: Matsushita Electric Industrial receded Y30 to Y1,370 and NEC Y14 to Y910. Selling by foreign brokers depressed trading companies, with Mitsui sliding Y22 to Y712 and Sumitomo Y22 to Y863.

Corporate selling hit large-capital issues, including Nippon Steel, down Y4 at Y346, and Mitsubishi Heavy Industry, Y24 weaker at Y623.

Sumitomo Metal Mining was among the day's winners, moving forward Y3 to Y804 on speculative buying.

In Osaka, the OSE average shed 222.79 to 19,860.49 in volume of 70.3m shares. Aoyama Trading, the suit maker, lost Y120 at Y1,690 on profit-taking.

Roundup

Reports in a South Korean newspaper that Deng Xiaoping, the Chinese leader, was in a coma and on oxygen support made for an uneasy session in many regional markets. Bangkok was closed for a public holiday.

HONG KONG remained in the doldrums in the absence of fresh impetus, and the Hang Seng index finished 112.15 or 1.4 per cent lower at 7,862.67, having been as much as 165.19 points down in morning trade.

Dealers said that most investors were sidelined awaiting the outcome of renewed trade talks between the US and China, and this week's key US economic data.

Turnover picked up to HK$2.7bn from Monday's HK$2bn. HSBC declined HK$1.75 to HK$78.25, Henderson Land was down HK$1.00 at HK$36.40 and Hang Seng Bank slipped 80 cents to HK$44.60.

The H-shares of the 15 mainland China companies listed in Hong Kong were generally easier, the index surrendering 7.17 at 1,044.55.

SINGAPORE was slightly easier as, in the absence of fresh news, the market's consolidation continued. The Straits Times Industrial index closed 4.05 lower at 2,089.07 in volume of 180.9m shares.

Amcol Holdings advanced 29 cents to S$2.94 on news that the Pebble Bay property development was selling well. Amcol has a similar development nearby.

However, the Pebble Bay news had little impact on the shares of its developers, DBS Land and Straits Steamship Land (SSL). DBS Land finished 2 cents softer at S$3.52, while SSL was 10 cents firmer at S$4.10.

KUALA LUMPUR saw further profit-taking as investors became cautious after the recent surge. The composite index closed 7.43 lower at 972.99.

Brokers also suggested that some investors might have used rumours that the Chinese leader had died as an excuse to sell after the strong run.

Volume shrank to 192m shares from the 401m registered on Monday, reflecting the caution.

Multi-Purpose Holdings again led activity, climbing 8 cents to M$4.40 as interest continued to be fanned by talk of a takeover bid.

Repco Holdings closed 95 cents higher at M$9.35 on the group's plan to acquire a gaming company.

SEOUL finished 1.6 per cent lower on worries that the government would further tighten liquidity after the minister of finance was quoted in local newspapers as saying that he believed the economy was overheating. The composite index lost 15.61 at 941.49, but was up from a low of 937.99 seen in the early afternoon.

MANILA was propelled higher as investors bought food and beverage group San Miguel and two holding companies late in the session.

The composite index added 18.72 at 2,660.51 after dipping to an intraday low of 2,622.25 in early trade. Turnover declined to 1.39bn pesos from 1.59bn.

San Miguel "A" shares appreciated 2.67 per cent and the "B" stock 2.40 per cent. Benpres Holdings and First Philippine Holdings advanced sharply after a toll way contract was signed in the morning with a French company.

SYDNEY remained preoccupied by worries over the outlook for domestic interest rates and the economy. The All Ordinaries index lost 11.5 at 1,834.8, just off a low of 1,833.5. Turnover was modest at A$368.4m.

In the mining sector, CRA relinquished 6 cents at A$16.40 and WMC receded 11 cents to A$6.58.

Among banks, CBA was up 13 cents at A$8.60 after releasing good six-month figures.

TAIPEI fluctuated within a narrow range and the weighted index closed a marginal 6.38 higher at 6,504.59. Turnover amounted to T$40.2bn.

Investors remained concerned that the central bank might tighten monetary policy. Plastics and textiles issues gained ground.

KARACHI ended lower as reports of continuing violence in the city outweighed a rise in blue chip issues. The KSE 100-share index declined 4.26 to 1,845.02.

BOMBAY edged higher as some domestic funds, including the Unit Trust of India, the country's largest mutual fund, became selective buyers, but the overall trend was weak.

The BSE-30 index improved 9.95 points to 3,515.99 as investors sought blue chips in the B group, which are viewed as underpriced.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY FEBRUARY 13 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY FEBRUARY 10 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	159.62	-0.2	151.34	99.46	126.01	142.53	-0.1	4.05	159.93	151.91	100.01	126.72	142.64	181.76	157.95	181.76
Austria (16)	170.63	1.0	161.77	106.31	134.69	134.77	0.8	1.20	169.00	160.53	105.66	133.91	133.72	196.89	167.46	184.48
Belgium (35)	169.37	0.1	160.58	105.53	133.70	130.65	-0.2	4.22	169.16	160.68	105.78	134.04	130.89	177.04	161.53	164.59
Brazil (28)	129.26	0.2	122.56	80.54	102.04	198.20	-0.1	1.31	128.94	122.48	80.63	102.16	198.29	–	–	–
Canada (103)	126.06	-0.3	119.52	78.55	99.51	128.05	-0.3	2.73	126.49	120.16	79.10	100.23	128.43	141.01	120.54	135.35
Denmark (33)	258.73	0.1	245.30	161.21	204.24	210.48	-0.2	1.50	258.46	245.51	161.62	204.79	210.97	275.27	236.61	283.26
Finland (24)	187.97	-0.0	178.22	117.12	148.38	184.05	-0.5	0.80	187.97	178.55	117.54	148.94	184.90	201.41	133.88	147.29
France (101)	164.30	-0.6	155.77	102.37	129.69	135.59	-0.9	3.18	165.29	157.01	103.36	130.97	136.81	181.44	157.79	177.32
Germany (58)	145.81	-0.1	138.25	90.85	115.10	115.10	-0.4	1.82	145.89	138.59	91.23	115.60	115.60	150.40	128.94	129.95
Hong Kong (56)	322.15	-0.3	305.43	200.72	254.31	319.73	-0.3	3.93	323.03	306.85	202.00	255.96	320.68	464.96	277.40	464.96
Ireland (16)	212.56	0.1	201.53	132.44	167.80	192.67	-0.2	3.31	212.46	201.82	132.86	168.35	193.12	216.60	177.56	189.83
Italy (58)	80.45	-1.1	76.28	50.13	63.51	96.85	-1.3	1.61	81.37	77.30	50.89	64.48	98.09	97.78	67.25	77.06
Japan (484)	144.92	0.3	137.40	90.30	114.40	90.30	-0.1	0.84	144.51	137.27	90.37	114.51	90.37	170.10	139.45	149.49
Malaysia (97)	486.31	0.1	461.08	303.01	383.90	477.32	0.1	1.77	485.82	461.48	303.80	384.96	476.84	594.76	398.16	507.12
Mexico (18)	1046.89	-1.1	992.57	652.29	826.41	6364.06	-1.9	1.71	1058.93	1005.87	662.17	839.05	6486.36	2594.05	964.79	2594.05
Netherland (19)	222.21	0.1	210.68	138.46	175.42	172.67	-0.2	3.34	221.89	210.77	138.75	175.82	172.99	223.30	191.28	204.15
New Zealand (14)	72.63	0.5	68.87	45.26	57.34	60.84	0.6	4.81	72.27	68.65	45.19	57.27	60.50	77.20	62.05	74.09
Norway (23)	214.40	-0.4	203.28	133.59	169.25	193.60	-0.7	1.85	215.28	204.50	134.62	170.58	194.90	216.03	177.53	194.40
Singapore (44)	347.47	1.2	329.44	216.50	274.30	232.50	1.2	1.84	343.32	326.12	214.69	272.04	229.80	401.38	294.66	353.49
South Africa (59)	304.21	0.2	288.43	189.55	240.14	281.88	-0.6	2.55	303.72	288.50	189.92	240.66	283.55	342.00	205.56	244.38
Spain (38)	133.74	-0.8	126.80	83.33	105.57	132.78	-0.9	4.28	134.77	128.02	84.27	106.79	133.98	150.62	124.87	149.01
Sweden (46)	244.69	-0.3	232.00	152.46	193.16	268.45	-0.3	1.54	245.38	233.09	153.44	194.43	269.33	245.38	196.70	212.08
Switzerland (47)	168.30	0.3	159.57	104.86	132.86	133.74	-0.1	1.83	167.82	159.41	104.94	132.97	133.91	169.42	149.91	162.86
Thailand (46)	149.20	-1.7	141.46	92.96	117.78	145.00	-1.8	2.91	151.81	144.21	94.93	120.29	147.66	–	–	–
United Kingdom (204)	195.41	-0.7	185.27	121.76	154.26	185.27	-0.8	4.19	196.71	186.86	123.01	155.87	186.86	206.93	181.11	202.89
USA (513)	197.26	0.0	187.03	122.91	155.72	197.26	0.0	2.65	197.26	187.37	123.35	156.30	197.26	197.31	178.95	191.11
Americas (682)	181.05	0.0	171.65	112.81	142.92	151.76	0.0	2.61	181.09	172.01	113.24	143.48	151.81	–	–	–
Europe (720)	171.44	-0.4	162.54	106.82	135.33	151.37	-0.6	3.09	172.11	163.48	107.62	136.37	152.36	176.01	160.59	170.15
Nordic (126)	233.90	-0.2	221.66	145.67	184.56	217.41	-0.4	1.45	234.21	222.47	146.45	185.58	218.20	234.21	197.70	206.86
Pacific Basin (809)	152.86	0.2	144.93	95.24	120.67	99.56	-0.1	1.22	152.51	144.87	95.37	120.84	99.61	176.86	145.93	161.75
Euro-Pacific (1529)	160.51	-0.1	152.18	100.01	126.70	119.55	-0.3	2.05	160.58	152.53	100.41	127.24	119.94	175.14	154.73	165.09
North America (616)	192.85	0.0	182.85	120.16	152.24	192.57	0.0	2.84	192.87	183.21	120.61	152.83	192.59	192.95	175.67	187.64
Europe Ex. UK (516)	154.59	-0.2	146.57	96.32	122.04	131.18	-0.5	2.46	154.96	147.19	96.90	122.78	131.88	156.12	144.12	149.29
Pacific Ex. Japan (325)	231.11	0.0	219.12	144.00	182.44	204.43	0.0	3.26	231.21	219.62	144.58	183.20	204.48	279.49	211.19	279.49
World Ex. US (1737)	160.90	-0.1	152.55	100.25	127.01	122.53	-0.3	2.07	160.98	152.92	100.67	127.56	122.95	176.65	155.42	168.79
World Ex. UK (2046)	169.47	0.0	160.68	105.59	133.78	140.87	-0.1	2.16	169.41	160.93	105.94	134.24	141.07	176.59	163.46	171.07
World Ex. Japan (1766)	187.71	-0.2	177.97	116.95	148.17	178.15	-0.3	2.94	188.00	178.58	117.56	148.96	178.63	192.00	176.34	188.58
The World Index (2250)	171.76	0.0	162.84	107.02	135.58	144.84	-0.2	2.35	171.81	163.20	107.44	136.14	145.15	180.80	165.92	175.86

Latest prices were unavailable for this edition.